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U.S. News & World Report

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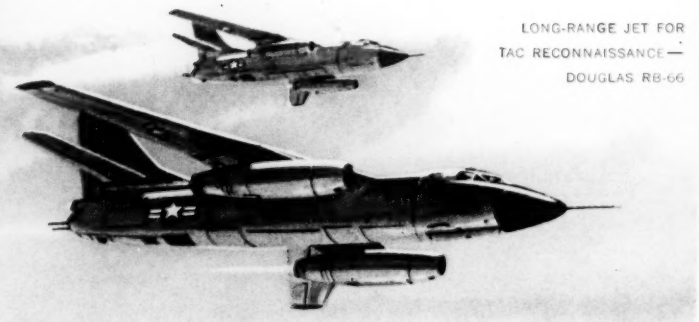

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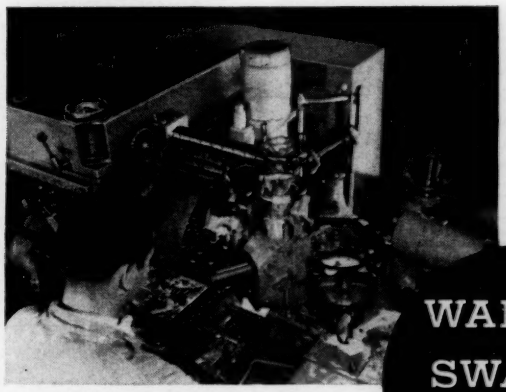
In most industries the smallest plant can have the same machines as its largest competitor. If that small plant keeps its machines modern and if its workers use them well, its costs can be as low or lower than the giant's—and in these competitive days, business goes to the low-cost plant, big or little.



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IN THIS ISSUE

★ Latest on How Spies Get U.S. Secrets

Here are the actual details of how a huge Soviet spy network operated for years under the very noses of officials in Australia—and how it acquired U.S. secrets closely guarded at home. They are reported in an official study, based on Russian documents brought in by a defecting Soviet agent. See page 98.

★ "We Took the 'Torture' Course"

This is a firsthand report by three members of the U.S. Air Force on the controversial survival course, with its "prisoner interrogation" treatment. For their conclusions, see page 42.

★ Will Colleges Soon Be Overwhelmed?

When will full impact of the big postwar "baby crop" which now is overcrowding the nation's grade schools, swamp college campuses? To see if your child is to be affected, turn to page 32.

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WORLD REPORT

U. S. WEEKLY
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The Bel Air Convertible. *You'll find your favorite model among Chevrolet's complete line of Fisher Body beauties.*

Chevrolet's getting the bouquets for being the Go-Getter of the year

By now, just about everybody's got the word that the Motoramic Chevrolet is the hottest thing that's happened in cars this year. Most folks know that this trim and crisp-lined beauty is practically rewriting the stock car record books from coast to coast.

And what does the record show? That Chevrolet can take any car in its class to the cleaners over a flying mile run. That Chevrolet leaves the rest of its field flatfooted in acceleration contests — and most of the high-priced cars, too! That Chevrolet wins far more than its share of events on the rough and rugged stock car circuit where winning depends on getaway, handling ease and cornering ability — qualities that mean greater safety for you on the highway.

These laurels were earned in a world of stopwatches and eagle-eyed timers . . . in a take-on-all-comers world of expert drivers. And Chevrolet earned their healthy respect, too.

It will earn *yours* when you've spent a few swift-moving miles behind the wheel. Barreling down the pike or tooling through town, you'll tingle to the action-urge of Chevrolet's 162-h.p. "Turbo-Fire V8" (or 180-h.p. "Super Turbo-Fire V8" available as an extra-cost option). Or, if you go for sixes, you'll get a real kick out of Chevrolet's two new sizzlers — the most powerful sixes in Chevrolet's field!

Why miss out on all the fun? Drop in and drive the go-getter of the year at your Chevrolet dealer's. . . . Chevrolet Division of General Motors, Detroit 2, Michigan.

STEALING THE THUNDER FROM THE HIGH-PRICED CARS! ***motoramic***

CHEVROLET

(Advertisement)

O. D. J.

—or, Old Dr. Johnson made one remark that a Scot can approve

WE HAVE no reason to love the memory of Samuel Johnson. Our business is in Scotland, and the great lexicographer said some things that have rankled in Scottish memories for nearly two centuries.

In his famous dictionary (the first important one in the English language), he wrote this definition; "Oats: a grain which in England is generally given to horses, but in Scotland supports the people." In conversation with his biographer Boswell (a Scot himself), Johnson made such remarks as: "The noblest prospect which a Scotchman ever sees is the high-road which leads him to England." And, "much may be made of a Scotchman if he is caught young."

It is therefore a pleasure to recall at least one remark of the great Doctor which we can quote with approval. It deserves italics: *"There is nothing which has yet been contrived by man by which so much happiness is produced as by a good tavern or inn."*

Since the old Doctor spent a large part of his life in taverns he spoke as an authority. And if he were alive today, he would be delighted to find how far the "tavern" has progressed. If he were in the men's bar of a good club or hotel in America today, and if he were served a spot of 12 year old Chivas Regal Scotch Whisky, he would almost surely be moved to compose a tribute to Scotland, in praise of its finest product.

The risk in this fantasy is that the bar might be out of Scotland's Prince of Whiskies when Dr. Johnson dropped in. Alas, that happens occasionally. The demand for Chivas Regal has grown so great in America that your barman or spirits merchant may sometimes be unable to serve you. The supply of Chivas Regal — a blend of thirty-three of the finest whiskies of Scotland — is inevitably limited by nature. Please forgive an occasional disappointment, and ask again!

•

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NEW YORK, N. Y.

The March of the News

POLIO PAST ITS PEAK?

SIGNS THAT POLIO for 1955 had reached and passed its peak were seen by the U. S. Public Health Service. In most areas, the number of new cases decreased or held stationary, offsetting slight increases in other sections.

Throughout the nation a total of 2,009 new cases was reported for the week ended September 10, or about 2 per cent less than the 2,058 recorded for the previous week. For the year, since January 1, the total was 18,215, compared with 21,324 in the same period last year. For the "disease year," which begins April 1, total cases were 17,152, as against 19,771 for the corresponding period of 1954.

Among children who had received Salk vaccine, there were 231 paralytic and 341 nonparalytic cases.

HOW U.S. IS GROWING

THE CENSUS BUREAU has figured out that U. S. population reached a total of 165,495,000 on August 1, an increase of 14,362,000 since the latest official census, April 1, 1950. For the year since Aug. 1, 1954, it was a gain of 2,828,000. The figures include armed forces overseas.

AID TO FLOOD VICTIMS

LOANS TO 185 victims of the floods that struck the Northeast as a result of hurricane Diane have been approved by the Small Business Administration. At the same time, SBA has been helping more than 750 individuals complete applications for loans totaling nearly 19 million dollars. Banks in the area have assigned 55 experienced credit men to help SBA process the applications.

MORE TROUBLE FOR PERON

NEW UPRISINGS in Argentina's armed forces plagued President Juan D. Perón last week. One after the other, units in many parts of the interior revolted. Elements of the Army, Navy and Air Force were involved.

The uprisings were a product of the unrest that had been increasing among military officers since the President started his fight on the Catholic Church, 10 months ago. A new cause of resentment was a plan to turn the 6-million-member General Confederation of Labor into Peronist "militia." Many officers viewed this as a scheme to rob the armed forces of their traditional power and they were willing to fight to keep that from happening.

At the outbreak of trouble, Perón put the whole country under martial law. Loyal troops were dispatched in an attempt to subdue the rebellious units.

TIPS FOR CAMPAIGNERS

VICE PRESIDENT NIXON thinks the old-fashioned whistle-stop political campaign is on the way out. The reason: television.

It is becoming realized, he said in a speech, that a candidate can be more effective and reach more people with a 30-minute TV appearance than he can by repeating the same speech at a dozen train stops in a day.

The Vice President also had some advice for candidates who use TV: Views should be presented simply, in unrehearsed and spontaneous speeches. The candidate also should spend as much money advertising his TV appearance in the newspapers as he spends for the TV time itself.

DRAFTEES FOR THE NAVY

KOREAN-WAR ENLISTMENTS in the Navy are expiring, and there are too few volunteers.

Result: The Navy will draft men for the first time since World War II. The expected rate is 10,000 draftees a month from November through April, doubling the over-all draft call. The Navy said it will reduce its call in May, end it probably after June.

SLOGANS OF '56

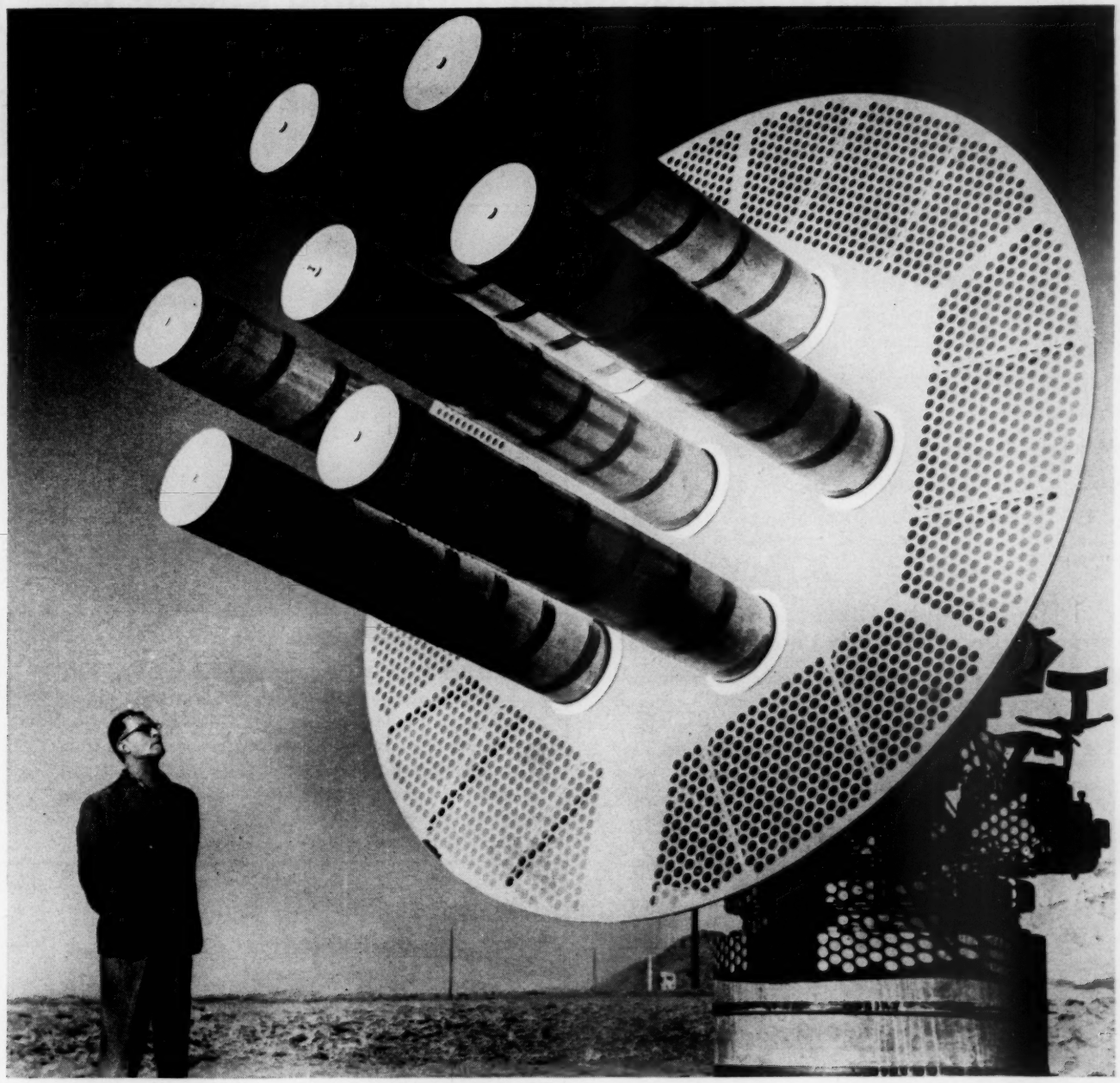
AMATEUR SLOGAN WRITERS are deluging the headquarters of both the Republican and Democratic parties with catch phrases to be used in next year's campaign.

Most writers offer their suggestions free of charge. Some expect to be paid. One of the latter offered to return the money if his slogan failed to bring success to the Republicans.

There are many duplications, or partial duplications, especially involving twists on "The man of the hour—Eisenhower." The 1952 "I like Ike" becomes "I like Ike better than ever," or "I still like Ike."

Most ideas received by the Democrats also involve the "I like Ike" theme, but in reverse, such as "I used to like Ike," or "I like Ike but not in the White House."

The Republicans already have a slogan: "Everything is booming but the guns."



This is Apota. The name is a contraction of Automatic Positioning of Telemetering Antenna.

It Takes Messages from Guided Missiles in Flight

This mysterious object is Apota.

If it sounds and looks like something from Mars, there is good reason. For what Apota does is to receive messages from far out in space.

When a missile is launched, the observers on the ground want to know what is happening way up there on its flight.

So they equip it with a radio that will send back data to the earth. Apota is the giant antenna that automatically tracks the missile in flight and picks up these radio messages.

It's an instrument designed by the Sandia Corporation, a Bell System subsidiary in New Mexico. There Western Electric and Bell Telephone Laboratories direct work on the development of atomic weapons for the armed forces.

This is just one of the many major defense projects undertaken by the Bell System at the government's request.

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Professional Insurance Buyers are employed by many corporations to develop the program of insurance that best fits their need for protection. These buyers, through agents and brokers, find the answer to their requirements in the policies pioneered by North America Companies.

Your business may not be large enough to warrant an Insurance Buyer on the staff. But, like the professional buyer, you can get policies that are broad, simplified and fitted together to form a wall of protection—at the most economical cost.

Indemnity Insurance Company of North America is the leading independent market for casualty insurance, the company Professional Buyers consider the place to get unusual protection to cover unusual risks.

On these pages are six coverages which you should consider when you discuss your insurance needs with an Indemnity Insurance Company of North America Agent or with your own Broker.

NORTH AMERICA COMPANIES

Insurance Company of North America
Indemnity Insurance Company of North America
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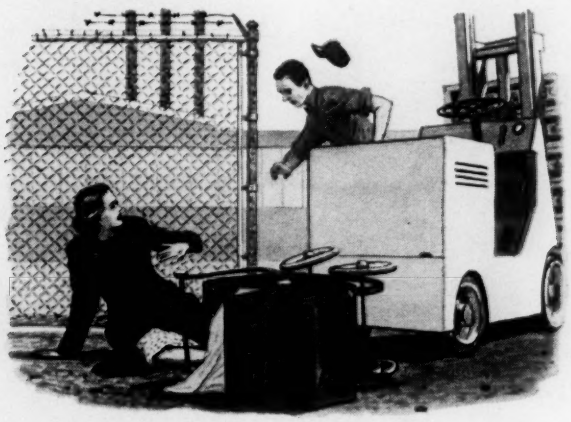
PROTECT WHAT YOU HAVE© **Philadelphia 1, Pa.**

1. D.D.D. Policy (Dishonesty, Disappearance, Destruction). Indemnity Insurance Company of North America pioneered in the development of this package policy for business men. It not only covers all losses arising from embezzlement by employees, but also provides comprehensive protection against loss of money and securities from most forms of crime.

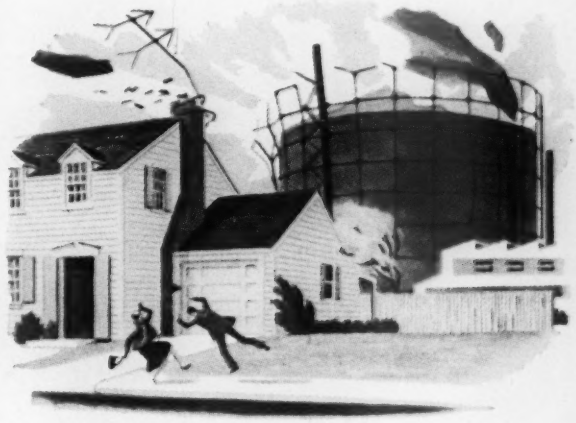
4. Key Man Group Accident and Sickness Insurance. A unique accident and sickness program for your team of key men employees. Especially designed for your company, it gives your employees the security of an insured salary continuation plan during disability. Also provides high limits and benefits to fit your needs.

that fits your business needs at low cost



2. Blanket Liability Policy* tailored to cover all of the exposures and hazards of third-party liability that face your business. The policy has broad insuring agreements and is rated on a simple unit base that eliminates costly record keeping for insurance purposes only, and is low in cost. It provides protection against unexpected loss from unforeseen mishaps.

*Not available in New York, Louisiana or Texas

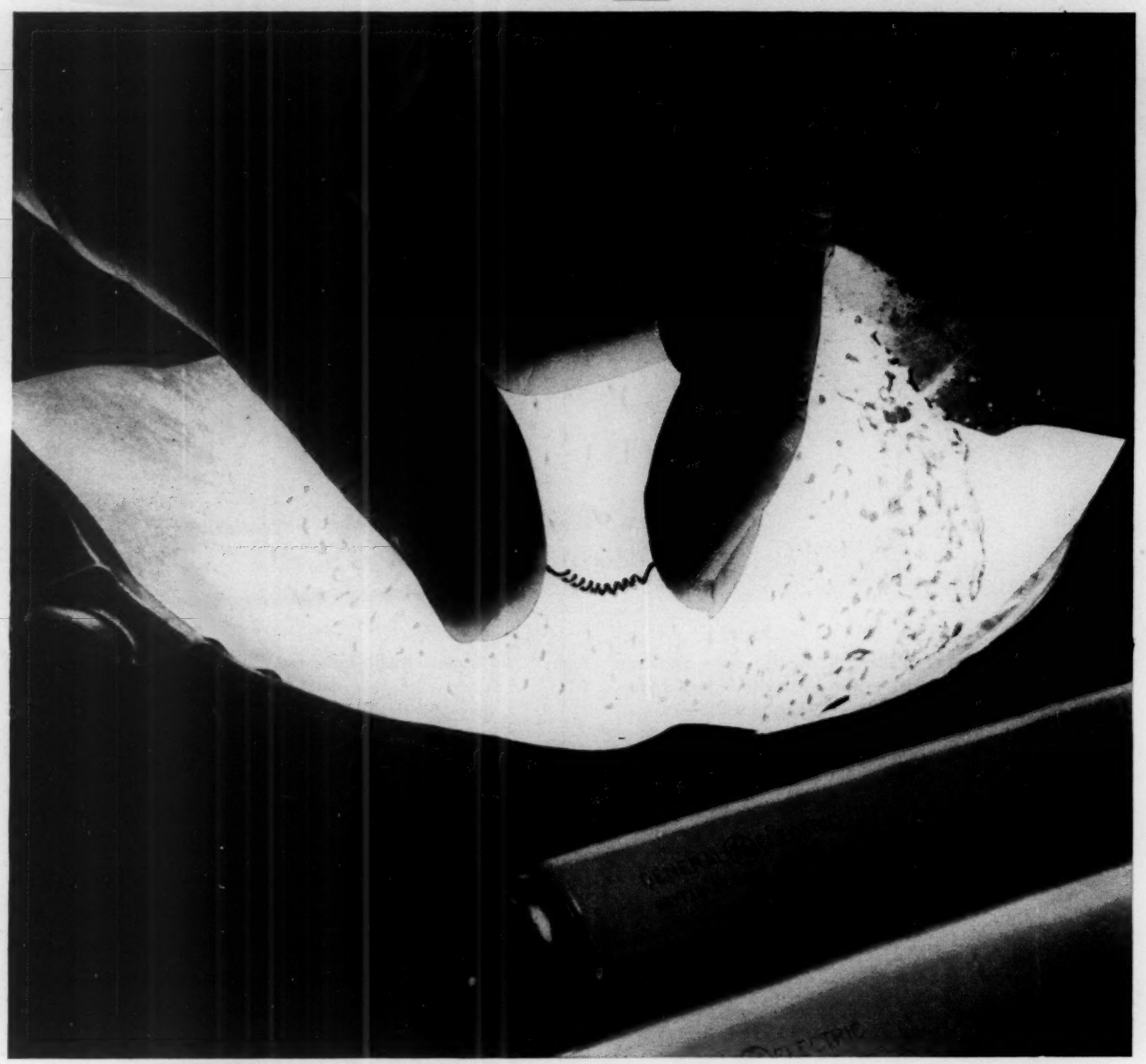


3. Excess Liability Insurance. Prudent management of a business enterprise calls for protection against catastrophe loss through excess general liability, automobile liability and workmen's compensation insurance. Indemnity Insurance Company of North America has long specialized in excess covers and has become the largest domestic market for catastrophe insurance.

5. Blanket Travel Accident Policy. Covers all employees while they are traveling on company business. Provides world-wide accident protection twenty-four hours a day. Includes rail wrecks, air crashes, hotel fires and other accidents occurring while traveling. This coverage is increasingly important to business concerns.

6. Liability Insurance on Your Fleets of Automobiles. Can be tailor-made to fit your needs with broad coverage backed by expert loss prevention and fast claims service. Indemnity Insurance Company of North America provides high limits of liability to meet today's conditions. A sound safeguard for businesses.

G-E LAMPS GIVE YOU MORE FOR ALL YOUR LIGHTING DOLLARS



How General Electric built a $7.00 bonus into the $3.50 slimline lamp

MORE LIGHT. The picture above was taken by the glow of the chemical piled on the tray. It's the phosphor used inside the General Electric slimline fluorescent lamp to produce light. It's 19% brighter than it was five years ago. Holds its brightness better, too. Result: over the original 6000-hour life period, today's G-E slimline lamp gives 31% more light than the 1950 slimline.

LONGER LIFE. Silhouetted against the glow is a tiny coil of wire. It's the cathode that carries electricity to operate the lamp. It's coiled three times. It holds more starting chemical and holds it longer. This cuts down on early burnouts. And this is the main reason why today's General Electric slimline fluorescent lamp lasts 7,500 hours, compared to the old lamp's life rating of only 6,000 hours.

COSTS LESS. With the value going up like this, the price of today's General Electric slimline fluorescent lamp has actually gone down. Less than a year ago, a price reduction brought case-quantity buyers a net saving of 17¢ per lamp.

To add it all up, counting lamps, labor and electricty; the amount of light G-E slimline gives today would have cost *$7.00 more* only five years ago!

For more facts on how General Electric gives you more for *all* your lighting dollars, write for a free 16-page Progress Report to Lamp Users: Large Lamp Department, General Electric, Dept. 482-US-9, Nela Park, Cleveland 12, Ohio.

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A LOOK AHEAD

Newsgram®

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There's so much optimism right now that it is a good time to look for possible trouble spots; to start giving weight to reasons for caution.

Farmers, for one thing, are not as well off as they were. Farm income is slipping somewhat at a time when income generally is rising.

Organized workers, on the other hand, are tending to get further out in front of the procession. The unorganized appear to be lagging somewhat. White-collar workers seem not to be doing so well, relatively.

The income balance is not as stable as it was. Prosperity, in other words, is growing for some big groups, but lagging for others.

In this period, too, at the height of the boom:

Borrowing is getting a little harder. A mortgage costs more and is not quite as easy to get. An installment loan now costs a little more.

Money controls, slowly but surely, are beginning to bite.

Prices at the same time are edging up a little. New cars may cost about 5 per cent more. Discounts can't be quite as big, can't carry prices down quite so far when manufacturers' prices move up. TV prices, appliance prices are beginning to be marked up somewhat before Christmas trade starts.

All of these things tend to put mild restraint upon demand.

Forces obviously are at work that will check the boom. Credit use will meet new restraint if it rises more than officials think wise. Cash outflow from the Government, in months ahead, will fall below the inflow.

Inventories, rising in many lines now, will begin to seem adequate or even a little large, if demand should level off or slip a little.

Steam back of the boom no longer seems to be building up its pressure. Instead, boom pressures are beginning to meet some resistance.

What you probably will see develop is something like this:

In closing 1955 months, a leveling off around present highs.

In early 1956, stability at a high level, but no new spurt upward.

In summer and early autumn, 1956, maybe a seasonal dip.

In late 1956, renewed upturn, gradual, not hectic.

The outlook, at this point, suggests that a leveling-out stage is at hand or near at hand. It suggests that tightened credit may affect demand for new cars and houses to a moderate degree in months ahead.

Stability is more likely to be the word most used to describe business conditions in the year ahead than the word boom. There may be what could be called a "dip" during the vacation period next year.

U. S. NEWS & WORLD REPORT *(No part of this or any other page may be reproduced without written permission)*

At the same time, there will be these counters to business slowing:

Taxes will be cut by mid-1956, releasing income for spending.

Borrowing, made a little harder now, will be eased at the first sign that the restraints are really hurting. Loan money will not be dried up.

Farmers, quite probably, will get added subsidies. The "baby crop" will be a bumper crop again, underwriting many kinds of demand.

Peace will add to the feeling of security and optimism.

In other words, a slowing in the boom does not mean recession or hard times. Over the long range, the outlook in this country is excellent.

There's a change in public attitude that seems of growing importance.

Debt, for example, no longer is feared the way it once was. Younger generation seems ready to take on big obligations with complete abandon. Once it was standard practice to save money with which to buy things that could not be purchased out of current income. Now it is standard practice to go into debt to buy what is desired, with payment to be made while enjoying the product.

People seem to forget that there still can be danger in debt.

Big families, too, no longer seem to be resisted. Population rise of U.S. now is among the fastest of any nation. The onetime concern about where the money is coming from to educate a big family, or to feed and clothe the family in the style to which it would like to be accustomed has faded.

The oncoming generation appears convinced that everything will be taken care of some way; maybe that an all-encompassing Government will make sure that nobody really lacks for the good things of life. That attitude of confidence, of lack of worry about the future, influences business in the present.

Draft pinch, eased for a time, is to be felt more sharply again.

Draft will be used by the Navy to get 10,000 men a month. Draft of men for the Air Force comes next. Army draft now takes 10,000 a month.

Draft use is rising because volunteering is down. Plentiful jobs, high pay in civilian life, peace, all combine to cut down on the urge to enlist.

Resulting alternatives: increase draft calls or cut armed forces.

Political pressures are growing to make more cuts in military manpower.

More and more complaints are being heard of draft boards taking scientists from civilian jobs to serve as privates, or of taking youths for the ranks just before completion of college courses. The point is this: There are 4,000 local draft boards around the nation, each of them pretty much a law unto itself. If rules made in Washington always governed, instances of what some regard as injustice might be avoided. Draft boards have quotas to fill and tend to take a harder-boiled view toward who should be exempt than do many parents--or even employers.

Two Germanys in Europe now are added to two Chinas in Asia as rather a permanent prospect. Konrad Adenauer, in Moscow, gave Communist Russia the opening into West Germany that she wanted. Russia now can play both ends against the middle. There'll be more and more pressure for "one Germany" along Communist lines just as there is for "one China," also Communist.

Communists are getting set to make the most of "peaceful coexistence" just as they did of the "cold war." Any deal usually is on Communist terms.

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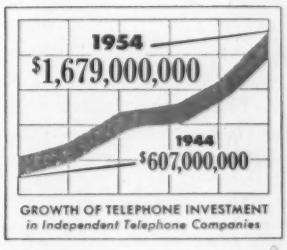
$165,000,000 appetite!

To give our customers all the telephone service they want, fast-growing Independent companies spent $165,000,000—*last year alone*—enlarging and improving telephone facilities! Most of this investment went into products of the telephone industry's several hundred manufacturers and thousands of small suppliers. From these producers, Independent telephone companies get the very best in equipment, tools and materials. Nothing less will satisfy our 11,000 communities . . . with a need for modern service in ever-increasing amounts!



GROWTH OF TELEPHONE INVESTMENT
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Washington Whispers®

[Items appearing on this page are reported in Washington and other news centers]

Republicans See Harriman as Man to Beat . . . Britain May Cut Draft . . . "Kind to Reds" Line Wearing Thin?

In private, top diplomats admit that Konrad Adenauer, West Germany's Chancellor, came off second best in his first deal with the Soviet Union. The Communists now get a chance to work both sides of the diplomatic street—in East Germany and in West Germany, with the aim of drawing West Germany from her present allies.

★ ★ ★

Germany's Adenauer, at 79, is thinking of running for another four-year term when his present term ends in 1957. The Chancellor is unwilling to concede that age 80 will be any handicap in politics.

★ ★ ★

Sir Anthony Eden, Britain's Prime Minister, is giving serious thought to cutting draft service for British youths from 24 months to 18 months. If Britain cuts, American officials fear that it will be difficult to retain 24-month draft service for U. S. youths.

★ ★ ★

Ezra Benson, Secretary of Agriculture, is being pressed by Republicans to come up with an answer to the growing political problem created by the steady decline in farm income. Mr. Benson is studying a lot of ideas, but is aware that many Secretaries of Agriculture have sought an answer to the farm price problem since 1920—without marked success in peacetime.

★ ★ ★

The most that Republicans are claiming, as of now, is 235 seats in the House of Representatives to be elected next year, with 218 needed for a majority. There is increased worry within the party over the political situation in the Midwest farm belt.

★ ★ ★

A high-ranking Republican says this of Mr. Eisenhower: "Ike is more of a Republican than he used to be. For a long time he felt that he either had to be nonpartisan as President or to be strictly political as head of the party. He didn't see how the two could be mixed. After the 1954 campaign, he finally decided that he could be both a good party man and a President for all the people too."

★ ★ ★

Reports have been so numerous lately about the President's good appearance and robust health that some people began to wonder if they might be deliberately exaggerated. The fact is Mr. Eisenhower is in peak condition.

★ ★ ★

Averell Harriman, Governor of New York, is regarded more and more by Republican strategists as the man they will have to try to beat in 1956. Reports are that Adlai Stevenson faces more than expected resistance from the practical politicians who operate the party machinery.

★ ★ ★

Thomas Dewey's name keeps bobbing up as either a potential vice-presidential nominee in 1956 or a Republican candidate for the U. S. Senate. The former New York Governor is showing no present interest in the feelers that come his way.

★ ★ ★

Earl Warren, Chief Justice of the U. S., is being described by some of his colleagues as one of the most "liberal" members the Court has had in a long time. The Chief Justice is held to be more "liberal" in his approach to social and economic issues than at least six others of the Court's nine men.

★ ★ ★

Trouble is blowing up again in oil-rich Iran, with some predictions heard that there will be a political eruption within six months. The Shah's hold on the country is described as somewhat uncertain, with intrigue running wild.

★ ★ ★

Some important officials in Washington already are tiring of the "be kind to Communists" line of present international policy. More and more, opinion is expressed by officials in private that it is a mistake to open doors once closed to Communists just because the Kremlin no longer talks tough. British officials, too, feel that top-level American officials are being taken in too much by the new Communist line.

★ ★ ★

Marshal Tito of Yugoslavia is urging a policy of "active co-operation" between European Socialist parties and Communists, now that the Kremlin's line has softened. Tito argues that, since the Kremlin now declares there can be more than one way toward socialism, there is little to fear from Communists.

★ ★ ★

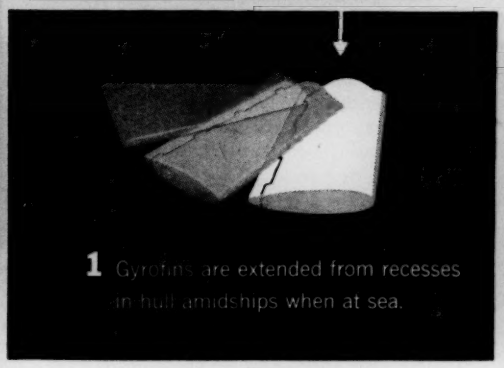
Coleman Andrews, head of the country's tax-collection machinery, is planning to resign in the relatively near future to return to private business. Mr. Andrews is reported to feel that the Internal Revenue Service, shaken by scandals during the last Administration, now is in good shape.

★ ★ ★

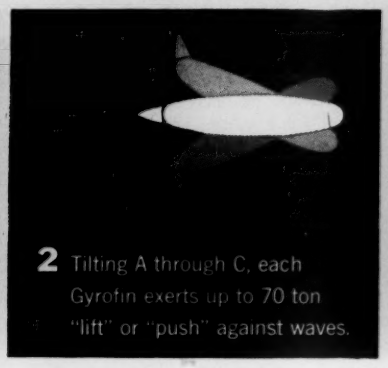
The Communist cell that congressional investigators say was active in Government at least until 1954 is reported to have centered in one of the labor agencies.

★ ★ ★

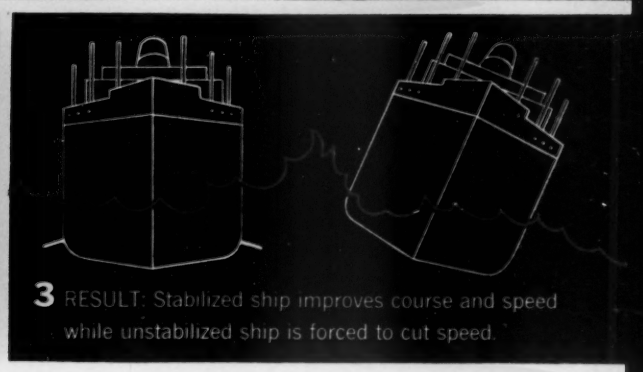
Harold Stassen, in charge of disarmament planning, is gaining in favor with President Eisenhower and may be in line for bigger things later.



1 Gyrofins are extended from recesses in hull amidships when at sea.



2 Tilting A through C, each Gyrofin exerts up to 70 ton "lift" or "push" against waves.



3 RESULT: Stabilized ship improves course and speed while unstabilized ship is forced to cut speed.

FOLDING FINS TO TAME ROUGH SEAS

Stabilizer Cuts Ship's Roll Up to 90%

THE STORY BEHIND THE STORY:

"Now I'd like to take a cruise more than ever!"

■ That, probably, was the reaction of most people when radio, television and the nation's press announced recently an effective way of taming rough seas. But to shipowners and shipping men the announcement meant more than passenger comfort alone. It offered substantial savings – by reducing damage to ships and cargoes, by improving course and speed in heavy weather thus saving fuel and time between ports.

■ To understand how the Sperry Gyrofin* Ship Stabilizer is able to tame mountainous seas and eliminate up to 90% of the former roll, take another look at the illustrations above. The hydrofoil-type fins are constantly positioned to exert anti-roll forces of precision magnitude and timing. Controlled by sensing devices that anticipate each roll of the ship, one fin literally "pushes down" while the other "lifts up"—and even the biggest wave is subdued!

■ In bringing this development to the maritime trade, Sperry engaged the hydrodynamic experience and shipbuilding facilities of the Newport News Shipbuilding and Dry Dock Company. And many highly specialized Sperry skills were combined to make this development possible. The sensitive controls, for example, result from Sperry's vast experience in designing gyroscopic and electronic systems – the enormous power from Sperry's knowledge of hydraulic and servo systems.

■ These combined skills have also been responsible for many of our nation's most effective weapons of defense and for the most advanced instrumentation for ships of the sky and of the sea. *T. M.

SPERRY GYROSCOPE COMPANY

Great Neck, New York

DIVISION OF SPERRY RAND CORPORATION

PEOPLE ★ ★ ★

OF THE WEEK

A YOUNG GENERAL, hero of two wars, has been given an important new command. He is **Brig. Gen. John H. Michaelis,** chosen to head the Southern European Task Force of the North Atlantic Treaty Organization.

General Michaelis will have his headquarters at Vicenza, Italy, 38 miles west of Venice, at the foot of the Dolomite Alps. His task force is being formed mostly from U. S. troops now being withdrawn from Austria. His job is to strengthen the NATO defense line, weakened by loss of its occupation foothold in Central Europe.

A native of San Francisco, reared in Lancaster, Pa., General Michaelis entered West Point from the Regular Army. As a 31-year-old commander of a paratroop regiment, he led his men on a predawn drop into Normandy on D-Day. Seriously wounded in a later airborne invasion of the Netherlands, he walked out of a hospital in England to rejoin the 101st Airborne Division in Belgium during the Battle of the Bulge.

In Korea, General Michaelis went back into action as a lieutenant colonel in command of the 27th (Wolfhound) Regiment—the first U. S. unit to halt the onrushing North Koreans. His command later made a gallant stand at Pusan. He won a battlefield promotion to colonel, then got a brigadier general's star. He holds 21 military decorations and ribbons, including the Distinguished Service Cross, awarded for heroism under fire.

—United Press

GENERAL MICHAELIS
. . . a new command

NEW PRIME MINISTER of Pakistan is pushing his 8-year-old country's demand that the United Nations hold a plebiscite to decide the future status of Kashmir—an area of more than 4 million population now jointly controlled and claimed by Pakistan and her neighbor, India.

Chaudhri Mohamad Ali hopes to avoid a *satyagraha,* or "peace march," by unarmed Pakistanis into Indian Kashmir; fears it might erupt into armed warfare. Some religious and civic groups in Moslem Pakistan have been signing up volunteers for such a march. The *satyagraha* has been used previously by India, most recently in an unsuccessful attempt to force Portugal to give up its ancient colony of Goa on India's West Coast.

Prime Minister Mohamad Ali, in office six weeks, was educated as a chemist, later turned to finance as an employe of the former British Government of India. He was a key adviser to Pakistan's founder, Mohamad Ali Jinnah; became Secretary General of his country's first Government in 1947; later was named Minister of Finance. He is regarded as a strong friend of the U. S., likely to continue a pro-Western foreign policy.

The Prime Minister has many plans for the development of Pakistan, not the least of which is to make it a republic. It is now a dominion within the British Commonwealth. He also hopes to build a new capital, 25 miles northeast of the present capital of Karachi.

—United Press

MOHAMAD ALI
. . . plans for Pakistan

ROBERT B. ANDERSON, a former Secretary of the Navy and Deputy Secretary of Defense, has been named president of Ventures, Ltd., a Canadian mining empire which operates on five continents.

The firm had been headed since its founding, in 1928, by Thayer Lindsley, one of the world's foremost geologists. Now 72, Mr. Lindsley will become board chairman of the multimillion-dollar holding company, which seeks out and develops mines producing nickel, copper, zinc, lead, silver, gold, iron, tin, cobalt, uranium, oil and gas and rare industrial metals. U. S. projects include oil and gas in the Williston fields of North and South Dakota.

Business management is an old story to Mr. Anderson, who started life on a Texas cotton farm, taught school after two years of college, studied law and entered the Texas Legislature at 22. He got into the ranching and oil business as an attorney for the 300-million-dollar W. T. Waggoner estate—a big outfit, even for Texas—and, from 1941 to 1953, served as its general manager.

Mr. Anderson, 45, is a Democrat who campaigned for President Eisenhower. He came to Washington at the beginning of the present Administration, made such an impression as the Navy's "landlubber" Secretary that he was quickly promoted to the No. 2 post in Defense. He resigned last July.

(Continued on page 16)

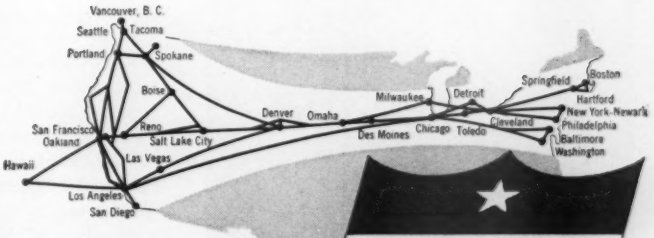
—USN&WR Photo

ROBERT B. ANDERSON
. . . back to private business

Just one step to make a business call across the nation

The territory that just one of your salesmen or representatives can serve today has been immeasurably widened. You now can go from one end to the other of Main Street, U. S. A., in 7⅔ hours. United Air Lines' DC-7 Mainliners link both Los Angeles and San Francisco with New York nonstop, and other Mainliners® serve 80 cities with timesaving, convenient flights.

When broadening your territory with United Air Lines—add the convenience of an automobile. United Air Lines will be glad to arrange in advance for a rental car at destination.



UNITED AIR LINES

Fly the Business Route of the Nation

For reservations, call or write United or an Authorized Travel Agent

CONTINUED

› **A VETERAN EDUCATOR** who was chosen on his record as a superintendent of public schools is the new Under Secretary of Health, Education, and Welfare. **Herold C. Hunt** comes to his new post from Harvard University, where he was Eliot Professor of Education. He is the first professional educator to hold such a high position in the Department, established in 1953.

Secretary Marion B. Folsom selected his new top aide without ever having met him. "I figured a superintendent of public schools would be a good administrator," he explained.

Mr. Hunt, 53, began his career in education as a high-school teacher at Hastings, Mich. He has been superintendent of schools in such diversified areas as Kalamazoo, Mich.; New Rochelle, N. Y.; Kansas City, Mo., and Chicago.

In Chicago, Mr. Hunt was credited with eliminating a political patronage system from the city's schools, putting through a 50-million-dollar building program and increasing teachers' salaries 50 per cent.

On his first day at his new job, the Under Secretary arrived before 8 a.m., found himself locked out of his office. He sat down at a hall desk, opened his brief case and started to work.

› **HUGH GAITSKELL** has been given a big push toward the top of the British Labor Party with disclosure by Clement Attlee that, at 72, he is eager to retire, hand over the reins of British Socialism to a younger man.

Although there may be a scramble for the leadership when Mr. Attlee lays it down, observers on the scene believe that Mr. Gaitskell is 'way out in front. The former Chancellor of the Exchequer is 49. Of others considered in the running, most are aging veterans of the political wars.

Mr. Gaitskell's moderate views make him the natural adversary of his most likely challenger—Aneurin Bevan, the fiery Welsh left-winger, whose coolness toward the U. S. and friendliness toward Russia have cost him some of his former support in the party.

An honor graduate of Oxford University at 21, Mr. Gaitskell taught at London University until World War II plucked him out of the classroom, turned him into a top planner of Britain's economic warfare. He won a seat in Parliament in 1945; six years later was a Cabinet Minister and rising star in Socialist skies.

When Mr. Gaitskell became Chancellor of the Exchequer at 44, he was the youngest to hold the purse strings of the British Government in half a century. He is skillful in debate, has full confidence in his ability to lead Labor back to power in the next election.

If a showdown comes between Mr. Gaitskell and Mr. Bevan, it probably will take place at a meeting of the Labor Party hierarchy late next month.

› **A SUPERSONIC PIONEER** who works for the Government is credited with inventing a radical, "pinch-waist" design for military aircraft that boosts their speeds by as much as 25 per cent without an increase in power.

The discovery by **Richard T. Whitcomb,** 34-year-old engineer at the laboratories of the National Advisory Committee for Aeronautics at Langley Field, Va., has been called "one of the most significant military scientific breakthroughs since the atomic bomb." His new concept of aircraft design—kept secret for many months—pinches in the fuselage at the point where wings are attached; reduces air-flow "drag" as the plane passes through and beyond the sound barrier.

Mr. Whitcomb began his scientific experiments at the NACA's Langley Laboratory in 1943, shortly after graduation from Worcester Polytechnic Institute, in Massachusetts. He has specialized in high-speed-flight problems encountered in the development of new aircraft.

Although now classified for military use only, Mr. Whitcomb's new design is likely to be used someday to step up the development of economical passenger air travel at supersonic speeds.

Mr. Whitcomb's achievement brought him the NACA's meritorious award for outstanding performance in 1953—but no monetary reward. His Government salary is $11,600 a year.

FIGHTING FOREST FIRES—VOLUNTEERS AND PARACHUTISTS

—United Press

A MOUNTAIN IN FLAMES . . .

› **SMOKEJUMPERS** who dropped from planes joined forest rangers and 5,000 volunteer fire fighters—U. S. servicemen and civilians—in a battle to control towering forest blazes last week over a wide area of California.

Rain and cooler weather helped the airborne and earth-bound firemen to extinguish or corral all fires in the Klamath, Shasta-Trinity, Lassen, Six Rivers and Tahoe national forests, on the north. Hot dry winds in southern California, however, fanned swirling flames—many started by lightning—in other forest preserves.

Marion M. Nelson, U. S. Forest Service fire-control chief in the area, said a few of the fires seemed to have been deliberately set. His early estimate: timber worth 16.5 million dollars destroyed.

—Wide World

. . . FIRE FIGHTERS ARRIVE BY AIR

"Wood burners" were fun to watch, but . . .

here's a better way

Today's "work horse" is the *diesel* . . . fast, dependable . . . working around the clock on main lines and in the switchyards of America's countless railroads. Sundstrand's contribution to this "better way" is through machine tools such as the Sundstrand Automatic Lathe (*right*), used in the production of diesel engine parts. Sundstrand equipment and technical know-how have helped to bring manufacturing costs *down*, production *up*. The railroad industry is just one of many served by Sundstrand's "Engineered Production" Service.* Perhaps Sundstrand is a name to remember in *your* business, too.

*Reg. U. S. Pat. Off.

Model 16 Sundstrand Automatic Lathe for rough and finish turning diesel engine liners with great savings in time.

SUNDSTRAND

SUNDSTRAND

. . . a name to remember in your business, too!

SUNDSTRAND MACHINE TOOL CO.
Rockford, Illinois

Aircraft Hydraulic Constant Speed Drives and Pumps • Lathes, Milling, Broaching and Special Machines • Industrial Hydraulic Valves and Pumps • Domestic Oil Burner Pumps • Magnetic Chucks and Coolant Separators • Air Sanders

The Studebaker Tradition of Craftsmanship begins with the first Conestoga Wagon (1852).

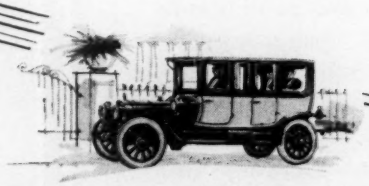
A great tradition carries on: Studebaker builds its first pace-setting gasoline-powered car (1904).

Studebaker startles the automotive world with the first true postwar car (1947).

A Great American Tradition

burns bright again!

Still pioneering: Packard introduces the most powerful engine in any American car (1955).



Packard builds the first production car with shock absorbers as standard equipment (1910).

The Packard Tradition of Engineering begins with America's first luxury motorcar (1899).

STUDEBAKER ★

Fine cars in every price class—

WHERE PRIDE OF

Down through the years, great motoring traditions were created by Studebaker, with its heritage of fine craftsmanship, and Packard, with its fame for inspired engineering. Now they are united — and a great tradition burns bright again!

Americans love a good fight!

Today, the dynamic new Studebaker-Packard Corporation is boldly challenging the entire automobile industry. This *young blooded* company is turning the tables on old-line thinking . . . with *new* men, *new* facilities, *new* ideas, and a *new* blueprint for growth based on a five-point program:

1. To keep our sights always on the goal of giving the public exactly the kind of cars it wants
2. To see that every product we produce is the *finest* in its field
3. To remain alert, aggressive, and ready to take advantage of every opportunity to better serve the public and our dealers
4. To be the sort of company people *like* to do business with
5. To be big but never so big as to stifle the individuality that is our heritage

Frankly, we know that the *only* way we can hope to earn your business is to offer you a better car for your money. That's just what we are doing and will continue to do, for Studebaker-Packard Corporation is the *one* company where Pride of Craftsmanship *still* comes first.

Today, America's proudest automotive tradition burns bright again, with great cars and trucks in every price class . . . cars to fit every taste and every budget . . . cars that are first with the exciting new ideas in motoring.

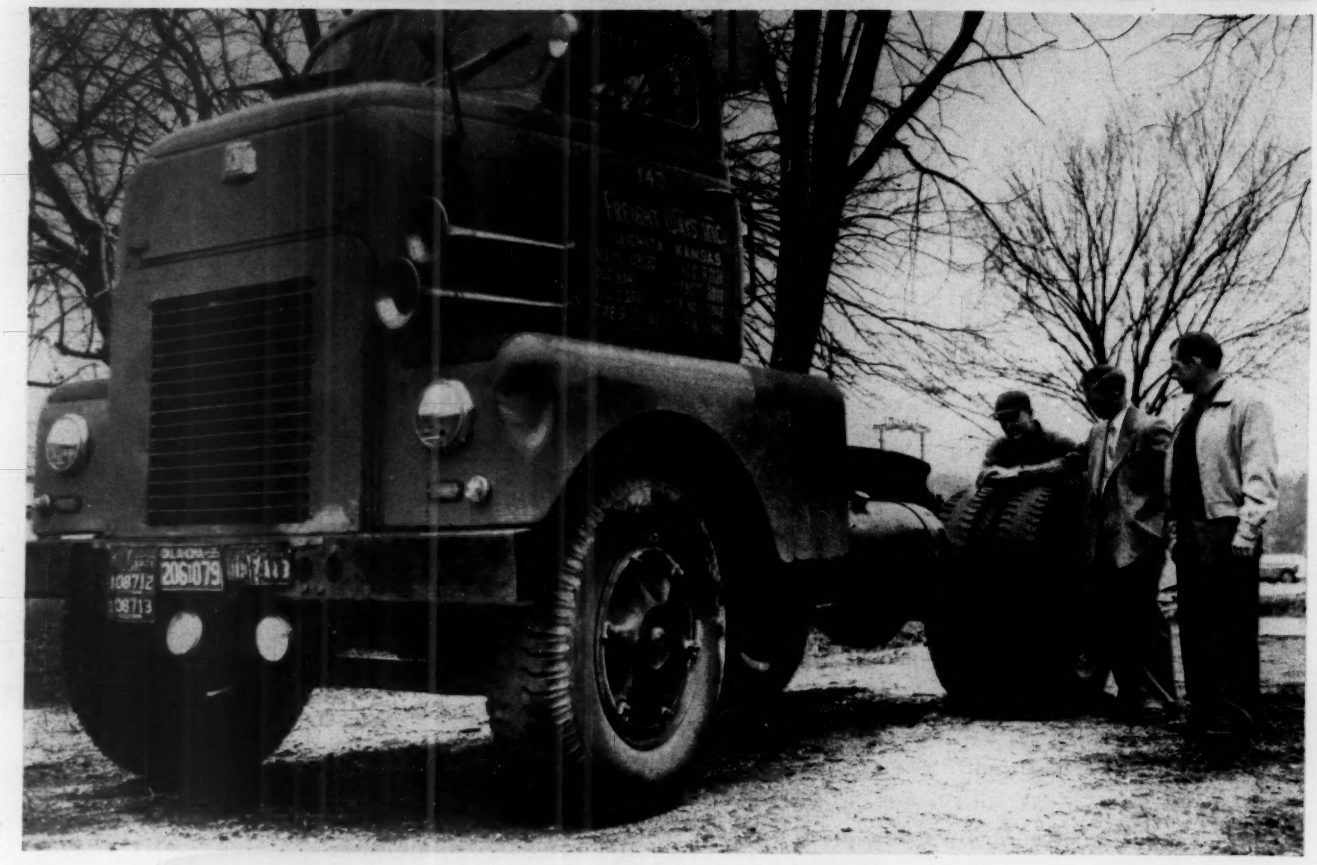
That's why people are buying so many more Packards, Clippers, and Studebakers this year. That's why we urge you to see your Studebaker or Packard Dealer soon . . . to take a demonstration ride that will be the most convincing proof in the world that the Studebaker-Packard Corporation is bringing better motoring to you and your family

CLIPPER ★ PACKARD

products of Studebaker-Packard Corporation

WORKMANSHIP STILL COMES FIRST!

B.F.Goodrich



Traction Express tires still going strong after 187,000 miles on original tread!

FRANKLIN P. CLOW is a leased broker in Aurora, Illinois, carrying freight into Missouri, Kansas and Texas. The tractor above operates 60 hours a week, hauls 15-ton loads. "It came equipped with regular highway tires," Clow (right) says, "that gave between 35,000 and 40,000 miles. Then I equipped it with B. F. Goodrich Traction Express tires. I now have 187,000 miles on the original tread of all 6 tires and they look good for 225,000 miles!"

Other truck operators (below) report similar experiences with B. F. Goodrich Traction Express tires. One reason is the *all-nylon* tire body.

B. F. Goodrich
TRUCK TIRES
Only $20.95
plus tax and your recappable tire
6.00-16 EXPRESS

The Express is ideal for pick-up and delivery trucks, trailers and heavy-duty trucks. It has the same tread design that came on new trucks, the same tread thickness as tires for far heavier service. And it's fully guaranteed. All sizes through 10.00-22 proportionately low priced. Convenient terms.

D. CANALE & CO., Memphis, Tenn., reports "a nice reduction in our per-mile tire costs". These tires have rolled 99,318 miles, with another 30,000 to go before recapping.

Why nylon saves you money

Nylon is stronger than ordinary cord materials, withstands double the impact and resists heat blowouts and flex breaks. The *all-nylon* Traction Express body outwears even its extra-thick tread—up to 46% thicker than that of a regular tire—*can still be recapped over and over!*

Find out how much you can save with B. F. Goodrich *all-nylon* Traction Express tires (rayon construction at lower prices). See your B. F. Goodrich retailer today—his address is listed under Tires in the Yellow Pages of your phone book—or write *The B. F. Goodrich Co., Tire & Equipment Div., Akron 18, Ohio.*

Specify B. F. Goodrich tires when ordering new trucks or trailers

RESEARCH KEEPS
B.F.Goodrich
FIRST IN RUBBER

MYSTERY OF MISSING DIPLOMATS SOLVED

First Story of How Maclean and Burgess Fled to Moscow With British-American Secrets

For the first time, you now can have a definite answer to the mystery of Britain's two missing diplomats.

No word has ever come before from any Russian source acknowledging that the two men are working for the Soviet Government.

Here are the facts, as reported by a former secret-service official for the Russians.

Donald Maclean and Guy Burgess, Foreign Office officials, it now is revealed, were long-time Communist agents, spies with access to top-level secrets of America and Britain.

Flight came in May, 1951, when the net of counterespionage was closing about them.

Melinda Maclean, American-born, fled with her children in September, 1953, and joined her husband in Moscow. Maclean and Burgess went to work in the Foreign Ministry in Moscow, advising on British-American policy.

The four-year veil of mystery that surrounded the disappearance of the British diplomats is cleared up here by Vladimir Petrov, former Soviet spy who defected in Australia, carrying with him information vital to the West.

Petrov tells below, in his own words, the story of Burgess and Maclean, why and where they fled, what they are doing in Russia.

by Vladimir Petrov

Former top agent of the MVD in Australia, who defected in April, 1954

(Copyright 1955 by United States News Publishing Corporation)

CANBERRA, Australia

As former third secretary of the Soviet Embassy in Canberra and chief of the MVD (the Soviet espionage and security service) in Australia, I, Vladimir Mikhailovich Petrov, can disclose some of the secrets behind the defection to Moscow of the two British diplomats, Burgess and Maclean.

And I can, too, tell what I learned in Canberra of the disappearance from Switzerland two years later of Maclean's wife, Mrs. Melinda Maclean, and her three children.

Donald Duart Maclean was 38 at the time of his disappearance. He was head of the American department of the Foreign Office.

Guy Francis de Moncy Burgess was 40. He had been recalled to London from his post of second secretary at the British Embassy in Washington.

It was mid-September in 1953 when our colleague, Second Secretary Kislytsin, walked into the MVD office in Canberra with a smile of pride and satisfaction on his face. He carried a newspaper with the report on the disappearance of Mrs. Maclean and her children from Lausanne on Sept. 11, 1953.

"So it has come off at last," he said. "I knew about this business. It has happened just as we planned it. I must cable Moscow to ask if they want the Australian press reports about it."

My wife, Dusya, as MVD cipher clerk, sent off the

. . . "Burgess was bringing out Foreign Office documents"

cable and presently received Moscow's reply asking for all important press references.

When we arrived in Australia in February, 1951, we had never heard the name of either Burgess or Maclean; indeed we had no knowledge of their existence. When the Australian press on June 8 published reports of their disappearance on May 25 of that year, we knew no more about the matter than any other baffled newspaper reader, and Moscow naturally saw no reason to inform us of secrets which had no bearing on our own special sphere of duties.

What happened was that Burgess and Maclean, after dining at Maclean's home in the Surrey village of Tatsfield on the night of Friday, May 25, left together to see a friend.

They drove in a "drive yourself" hired car—it was hired in London by Burgess—to Southampton and boarded the steamer *Falaise* for St. Malo, in Northern France.

From St. Malo came reports that they hired a taxi to drive them to Rennes to catch a Rennes-Paris train. Officially, nothing was known of their movements after they left the *Falaise*.

VLADIMIR PETROV

As I was Kislytsin's MVD chief in Australia, I insisted on knowing the background to his cables about Mrs. Maclean.

He told me that Burgess and Maclean were long-term agents who had each been independently recruited to work for Soviet Intelligence in their student days at Cambridge University.

Their flight was planned and directed from Moscow; Kislytsin was present during the planning of the escape operation. The reason for their flight was simple: They had discovered that they were under investigation by the British Security Service.

Kislytsin was in personal touch with the work of these two important agents over a period of years. At the end of the war he was posted to the Soviet Embassy in London as MVD cipher clerk, and himself handled the material supplied by Burgess. At this time Burgess was bringing out brief cases full of Foreign Office documents, which were photographed in the Soviet Embassy and quickly returned to him.

Kislytsin used to encipher the more urgent information and cable it to Moscow; the rest he prepared for dispatch by courier in the diplomatic bag.

While he was in England, Kislytsin never saw either Burgess or Maclean; but he knew the Soviet official who was in contact with Burgess and who used to return to the Embassy with muddy clothes after his meetings, which evidently took place at some obscure country rendezvous.

Kislytsin was in London from 1945 until 1948, when he was recalled to Moscow. There, after a year on an Intelligence training course, in which he specialized in English, he was appointed to the First Directorate of the Committee of Information, where he was put in charge of a special one-man section of the top-secret archives.

This section was devoted solely to the great quantity of material supplied by Maclean and Burgess. Much of it had not even been translated or distributed to the ministries concerned; but Kislytsin used to show particular files and documents to high-ranking officials who visited his section for the purpose.

When Burgess and Maclean discovered that they were under investigation by British Security, they reported it to their Soviet contact in the utmost alarm.

Kislytsin was then in Moscow and attended the conference of senior MVD officers called to discuss the possibility of getting these important agents out of danger to the safety of Soviet territory.

Among those present were Colonel Raina, chief of the First Directorate (dealing with Anglo-American territories) in the Committee of Information, and Gorsky, who succeeded Raina in that post.

I myself knew both these officers by sight. I once saw Raina in a boat with his young son fishing in the

. . . "The second plan: to get Mrs. Maclean to Moscow"

Uchinskoya Reservoir, a fishing area near Moscow reserved for senior Government officials. And I remember seeing Gorsky, a tall man of Jewish origin, in the MVD dining room.

When my successor, Kovalenok, arrived in Australia he told Dusya that Gorsky had been dismissed for concealing some compromising political facts about his relatives; his Jewish connections may also have had something to do with his downfall.

At this conference, the perils of the proposed operation caused much misgiving and many plans were put forward and rejected. Kislytsin mentioned that the route finally chosen included an air passage over the border into Czechoslovakia; presumably Burgess and Maclean traveled from Paris by Czech or Soviet plane to Prague and then on to Moscow.

Kislytsin met them for the first time on their arrival in Moscow from London. He often visited them at the comfortable house on the outskirts of Moscow where they were accommodated, and he was the officer responsible for their maintenance and welfare.

He signed the requisitions for their material needs and prepared plans for the best exploitation of their services. He told us that when he last saw them, they were supplied with the best of everything, were in good health, but were missing their families. They were then acting as advisers to the Soviet Ministry of Foreign Affairs on Anglo-American matters.

Kislytsin was aware of the second plan, to get Mrs. Maclean to Moscow, and recognized some of the details when he read in the Australian newspapers of its successful execution.

My belief is that Maclean told his wife of his destination before he left, but I cannot be sure of this. At any rate she participated fully at a later stage of the escape plan.

Kislytsin said that it had been intended that Soviet officials in London should get in touch with her on the matter, but that they became too apprehensive about British Security measures to risk making contact.

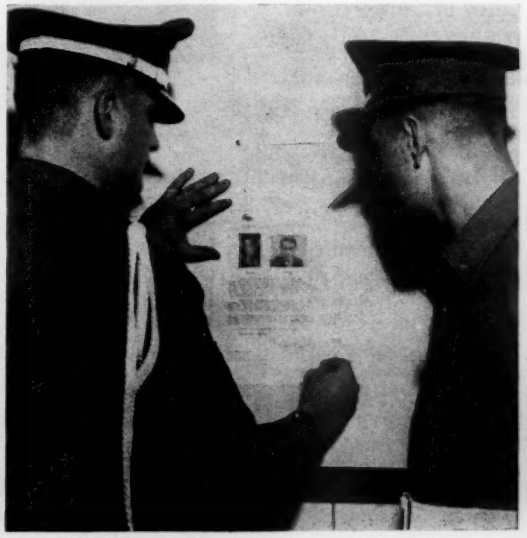
Later, after she went with her mother and her three children to live in Geneva, she was in touch with an MVD representative who undoubtedly arranged her flight.

When Kislytsin left Moscow for Australia at the end of 1952, he handed over his special section to Sadovnikov, who had previously been the MVD resident in Canberra.

It was Sadovnikov, who, with the Tass News Agency man, Pakhomov, met me when I first arrived in Australia. His handwritten notes were among the documents which I gave to the Australian authorities when I fled from the Soviet Embassy in Canberra.

Mrs. Maclean reported her husband's absence to the Foreign Office on the Monday morning after

DONALD MACLEAN



IN BERLIN, A "WANTED" SIGN

GUY BURGESS

—Keystone, United Press, Wide World

Hunt for missing diplomats extended to shadow of Iron Curtain in 1951

. . . Burgess and Maclean "in left-wing groups at Cambridge"

he and Burgess disappeared, and the search began. She had been left with two boys, Fergus, aged 7, and Donald, aged 5; soon afterwards she went into hospital, where their third child, a daughter was born.

On August 3, Mrs. Maclean's mother received 2,000 pounds [$5,600], sent to her through two Swiss banks. Two days later Mrs. Maclean herself received a letter from her husband which had been posted in Surrey, near her home. This was probably arranged by the MVD resident in London.

In his letter Maclean gave no address or sign of where he was or what he was doing, but explained that the 2,000 pounds was for her and the children and said that she must know in her heart that he had to do what he had done.

Mrs. Maclean (who showed the letter to the authorities) could offer no explanation of what this meant and in the following months she spoke to friends of her intention to divorce Donald and to end the "façade" of their marriage.

I have no doubt that this was part of a "cover" plan in which she co-operated.

Mrs. Maclean Disappears

In September, 1951, she and her mother went to live in Geneva, where the boys were sent to school. It was on Friday afternoon, Sept. 11, 1953, two years and three months after her husband's disappearance, that Mrs. Maclean drove off with her children in her black Chevrolet car, ostensibly for a week-end visit to friends, and disappeared also. Their movements were traced as far as the railway station at Lausanne. There the trail ended.

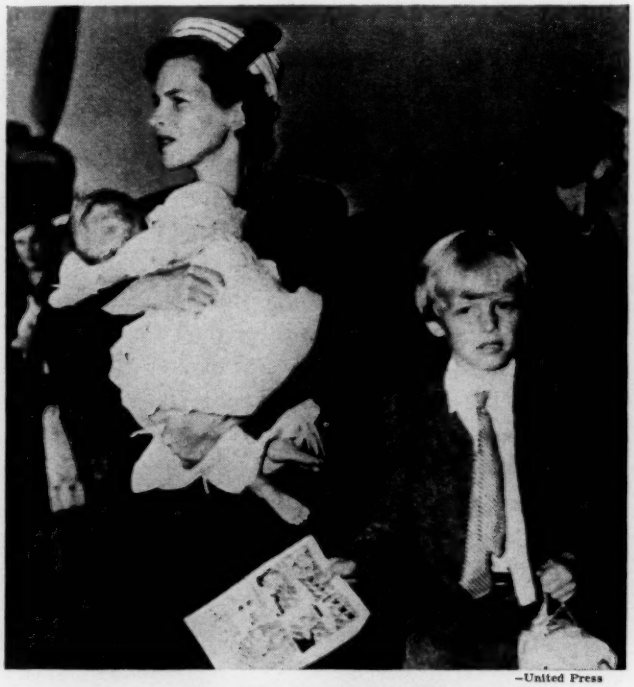
How valuable were the services of Maclean and Burgess to the Soviet Union?

Both were brilliant students, who made their way to important positions in their country's service. Burgess in 1939 did highly confidential work for the British War Office, worked in the European Propaganda Department of the British Broadcasting Corporation, and joined the Foreign Office in 1944, when he was appointed to the Far Eastern Department, and later to the British Embassy in Washington.

Maclean seemed to his friends to be a more stable and reliable character. He joined the Foreign Office in 1935, worked in London until 1944, when he was appointed to Washington, and, at the time of his disappearance, was back in London as head of the American Department.

The quantity and quality of the secret information which these two men were able to supply to Moscow in the course of their official careers can well be imagined.

What was the motive that induced two men in such responsible positions to act as Soviet agents?



—United Press

MRS. DONALD MACLEAN
. . . followed her husband to Russia

They were both members of left-wing groups at Cambridge, and, according to Kislytsin, they were both recruited for ideological reasons.

"Around 1933," writes Mr. Geoffrey Hoare in his book, "The Missing Macleans," "so disgusted was he (Maclean) by the spinelessness of the Western democracies in general and of his own country in particular, he had seriously considered giving up his planned career and going to work in Russia. But, quite suddenly, he reverted to his original plan, and, after taking his First in Modern Languages . . . was accepted into the Foreign Service."

. . . "Under Soviet system, people do not matter"

This fits Kislytsin's account. I guess that this was the point at which Maclean was recruited to work for the Soviet Union, and that he was advised that he could do more to help the cause by going forward with his career than by going to Russia.

Maclean knew Burgess, who was two years his senior, at Cambridge, but they do not seem to have been close friends, and in their official careers were seldom in the same country at the same time.

I got the impression from Kislytsin that they did not know each other as Soviet agents until the emergency of their flight together. I do not know on what terms they worked at a later stage.

But it is the fixed policy of Soviet Intelligence to secure agents who are ideologically indoctrinated, and then to employ every other means—money, blackmail, flattery or whatever else will serve—to strengthen the Soviet hold over them.

In the years when these two were recruited, the true nature of Soviet Communism was concealed from many people in Western countries; even in the Soviet Union its worst horrors had not then been demonstrated. But how could the deceptions of Soviet propaganda maintain their hold for so many years over a man with the knowledge and intelligence of Maclean?

If there is one fact above all others which needs to be understood about the Soviet system, it is that, under it, people do not matter.

If our story does not make that plain, it will fail to convey the true picture. A system where people mattered would be a radically different regime from that which we have known. It would mean a freedom which, in our experience, the Soviet Government cannot and dare not allow.

From the inside we know this to be the truth. Were Burgess and Maclean blind to this fact to the very end? Or had they gone too far to turn back?

And how much have they been allowed to see, how much have they allowed themselves to see, in the Empire of Fear that reached out and pulled them in to itself?

HOW, AND WHY, DIPLOMATS TURNED TO RUSSIA

When Burgess and Maclean disappeared, here is what happened—

Reported from WASHINGTON and LONDON

On May 25, 1951, Donald Maclean, head of the American section of the British Foreign Office, and Guy Burgess, just back from assignment to the British Embassy in Washington, disappeared.

It was June 7, 1951, just 13 days later, that the London *Daily Express* headlined the Burgess-Maclean disappearance. After the news story appeared, the Foreign Office confirmed that the two men were, indeed, gone.

The mystery of Britain's missing diplomats was born.

Consternation followed at once in Washington.

Dean Acheson, Secretary of State, first heard the news on a radio broadcast. His quick official inquiries to the British Embassy elicited the reply that the British in Washington knew nothing more than the radio said.

Senators, holding a hearing at which Secretary Acheson was appearing, questioned him about the men.

Republican Senator Owen Brewster, of Maine, holding the first news bulletins on the case in his hand, told Mr. Acheson: "Mr. Maclean was believed to have a thorough knowledge of secret Anglo-American exchanges on such subjects as the North Atlantic Pact, the Korean war and Japanese Peace Treaty. Mr. Burgess also probably was concerned with the preparation of the Japanese Treaty. If these men prove to be Soviet sympathizers," Senator Brewster went on, "it would, I assume, be quite a serious matter in foreign relations."

"That is correct," Mr. Acheson agreed.

Another high Western diplomat, in Europe, heard of the disappearance and asserted with some fright, "There go the tripartite files of the Big Four deputies' meetings."

But in London, the official attitude appeared calm.

The first Government announcement said the men had gone to France "a few days ago" and that on June 1, a week after they slipped away, they had been suspended from their jobs for being absent without leave.

Officially it was said there was no evidence that Burgess and Maclean had taken Government documents with them. There was no way to know whether they had photographed secret papers and taken the film.

Both men were known to drink heavily on occasion. It was suggested that they might have gone to Paris on a spree. Reports appeared in the press that both had errant sexual habits.

On June 8, the day after the mystery finally became public, the Foreign Office said both men had sent "all is well" cables to relatives from Paris. Next day, it was disclosed that the cables had been written by a third person and that the one from Burgess was sent from Rome, not Paris.

Hints that Burgess and Maclean might have been kidnaped, or even murdered, succeeded the spree stories.

In the British newspapers and among worried members of

[continued]

HOW, AND WHY, DIPLOMATS FLED

Parliament there was a growing suspicion that Burgess and Maclean had skipped behind the Iron Curtain.

Word leaked out that British agents had been slow to discover the absence of the diplomats. Then, in the hope of avoiding scandal, the Government had lagged in notifying French police to look for them.

The formalities of search continued. Secret-service men watched airports and railroad stations, combed the Left Bank dives in Paris, the saloons and hotels of Rome. Reports came from all corners of the Continent that one or the other of the pair had been sighted.

No clues yielded tangible results.

The path of the pair led from Maclean's comfortable country residence. Burgess, using a false name, had called for Maclean on the night of May 25 in a rented car. They left

–BIS

FROM THE BRITISH FOREIGN OFFICE
. . . secrets leaked to the Soviets

together. The car was found on the dock at the port of Southampton.

Baggage turned up on the excursion steamer, the *Falaise*, on which they went to St. Malo, France, ostensibly on a weekend cruise. A taxi driver reported he drove them from St. Malo to Rennes, where they could catch a train for Paris. At the railroad station in Rennes, the trail vanished.

On June 11, Herbert Morrison, then British Foreign Secretary, was sharply questioned in the House of Commons.

He repeated the scraps of information that already were public knowledge, added, "No further confirmed information of their whereabouts has so far been received."

Was there any evidence, he was asked, that the pair had gone behind the Iron Curtain?

"I think we should be wise not to prejudge anything, one way or the other," the Foreign Secretary advised.

A month later, Members of Parliament still were asking sharp questions of Mr. Morrison. How did it happen, one member inquired, that both men held important positions in view of "evidence as to their Communist associations" that now began to come out.

Winston Churchill pressed for a clear-cut reply to this question, arguing that "the Foreign Secretary did not answer it."

Mr. Morrison, however, refused to talk any further in public about this question.

Worry expressed by his questioners soon found firm foundation on pieces of information that began to come to light in the United States.

Maclean, in Washington from 1944 to 1948, was head of chancery in the British Embassy, a post that made him the Ambassador's chief administrator, let him in on all the secrets of relations between the U. S. and Britain.

During this period the atom bomb was perfected—and many of its secrets stolen by Communist spies. During these years, the wartime alliance with Russia dissolved into suspicion, then "cold war."

Maclean, it was discovered, had had a pass to offices of the Atomic Energy Commission—a pass good for admission, day or night, 24 hours a day. He was the chief British representative in the U. S. on atomic policy, helped decide which technical secrets could be made public.

The British diplomat, only 38 on the day he decamped, had advanced rapidly, seemed to have a very promising future built upon solid work performed since he had joined the Foreign Service in 1935.

From Washington, Maclean was moved to Cairo, as top administrator of the Embassy there. He took to drinking heavily, got in several violent scrapes that were hushed up.

The British flew Maclean back to London. For six months he was treated by a psychiatrist for a "nervous breakdown." His doctors said he was fit to work again.

Maclean's new job, after his recovery, again pitched him into the realm of British-American policy. On Nov. 6, 1950, he was appointed head of the American desk.

Did Maclean Help China?

The Korean war was reaching a critical stage when Maclean took over this important job.

In Korea, Gen. Douglas MacArthur had driven far northward on the conclusion that Chinese Communists would not enter the fight for fear of suffering ruinous retaliation. Britain had urged restraint upon the U. S. Attack across the Yalu River into Manchuria, even flights into Manchuria for reconnaissance, had been barred.

Maclean would have known this. It was diplomatic policy, not purely a military matter.

And somehow the Chinese Communists suddenly decided to attack. People close to General MacArthur feel sure the Communists gained knowledge of this policy of restraint.

Burgess, too, although a lesser figure than Maclean, was in position to know many of these things. He had joined the Foreign Service in 1944, had been a private secretary to the Minister of State when the cold war was shaping up.

In 1948, Burgess was assigned to the Far Eastern section of the Foreign Office, was there in the years when Communists were winning the Chinese civil war and when Britain decided to recognize the Communist regime.

Next, Burgess turned up in Washington where he was assigned on Aug. 7, 1950, as second secretary in the British Embassy. This was a critical time for policy decisions about Korea. Burgess would have known of them.

Burgess's behavior in Washington got him in trouble with his superiors. In public he was outspokenly critical of the U. S., denounced the U. S. Senate's inquiries into Communism in its own Government. It was felt that a diplomat should keep

his own counsel. Burgess also was arrested more than once for speeding on highways near Washington. In May, 1951, he was sent back to London under a cloud—and a few days later he was gone with Maclean.

After the first sensational stories about the flight died down, time dragged on without producing a clue that would prove where the pair had gone.

The Foreign Office denied a report that the two men had been located at an undisclosed spot in August, 1951. No official credence was put in a news report that Maclean had written to his wife, then living on the French Riviera.

Repeatedly the men were reported seen in Czechoslovakia; once it was said they were in Poland. An anonymous diplomat said they were in Moscow—in prison. From Britain there was little but silence.

A year after Burgess and Maclean vanished, the Foreign Office announced they were officially fired.

Another clue became visible. Russia had been publishing an English-language propaganda magazine, *New Times*. The writing was clumsy, the articles crude diatribes. Soon after the diplomats vanished, *New Times* perked up. The propaganda was slicker, the writing sounded as if it were written by Englishmen and for Englishmen.

In November, 1952—a year and a half after the vanishing act—fretful questions still were being asked in Parliament. A Labor Government, in power when Burgess and Maclean decamped, had been succeeded by a Conservative Government.

Anthony Nutting, Foreign Under Secretary, turned aside questions about security arising from the Burgess-Maclean affair, saying: "The reason why we do not wish to have public inquiries or to publicize more details than we have about this case is that we do not wish to give information about the methods of inquiry or to disclose other confidential matters."

Mrs. Maclean had left England. She was an American girl who had gone to Paris in the exciting days when war was coming in the late 1930s. There she met Maclean, a dashing, Cambridge-educated charmer who was working in the British Embassy. In 1940, Melinda Marling was married to Donald Maclean.

Steps Toward Disappearance

Shortly after Maclean disappeared, Mrs. Maclean and their three children—two sons plus a daughter born a few days after he left—took a vacation in France. At least once, in France, she had disappeared from her villa, rather mysteriously, for several days. Soon she moved to Geneva.

Mrs. Maclean became a British subject upon her marriage to Maclean. She was the wife of an important diplomat who had mysteriously disappeared. Yet the British neither held her in Britain nor kept close watch over her abroad. British authorities had cleared her move to Switzerland, at her request.

Soon after Mrs. Maclean settled in Geneva, the equivalent of $5,600 appeared in the bank account of her mother, Mrs. Melinda Dunbar, who was living with her. She began to get letters and to meet mysterious strangers.

Then suddenly, on Sept. 11, 1953, Mrs. Maclean and her children also disappeared.

In many ways the disappearance carried the same trademarks as her husband's departure. There was the same story about going away on a week-end visit. Mrs. Maclean had told her mother she was going only a few miles, to Montreux, Switzerland, to see a "Mr. Robin from Cairo."

Like her husband, she abandoned her car—not on a dock, but at the railroad station.

Like Maclean, his wife could be traced only a short distance—to Lausanne, Switzerland. Again the trail vanished.

All the marks pointed to a smooth operator and an underground railway to whisk foreigners behind the Iron Curtain.

In December, 1953, Burgess sent his mother a cheery Christmas letter. Handwriting experts confirmed that he wrote the letter himself. But the postmark on it showed it had been mailed in London, in a dockside section of the grimy East End.

The Foreign Office quickly revealed receipt of this letter. Another letter was kept secret for nine months—a letter from Mrs. Maclean to her mother. It was received by Mrs. Dunbar on Nov. 6, 1953; the Foreign Office revealed it on Aug. 19, 1954. It had been postmarked in Cairo, Egypt.

A spokesman for the Foreign Office duly noted that it might have been mailed for her by an agent, that Mrs. Maclean had not necessarily been in Cairo any more than Burgess had been in London to mail his letter.

"Much Amusement" in Moscow

Now *New Times* got into the act.

Someone on the staff of the Soviet magazine took note of suggestions in the British press that Mrs. Maclean had gone behind the Iron Curtain to join her husband. He called his sarcastic story "Shades of Sherlock Holmes."

"The present-day Sherlock Holmeses have failed to find any trace of Mrs. Maclean," *New Times* said in its issue of Oct. 3, 1953. "There is nothing new about that, either, for over two years ago there was a similar mysterious incident involving two Englishmen, Donald Maclean (husband of Mrs. Melinda Maclean) and Guy Burgess."

The writer said *New Times* had received a cable from the London *Daily Express* inquiring about reports in Washington that Maclean and Burgess were editing *New Times*.

"Needless to say, the telegram caused much amusement in our offices, where Donald Maclean and Guy Burgess were known only from the sensational stories in the Western press," said *New Times*.

"The campaign around the disappearance of Mrs. Maclean has no relation whatever to the Soviet Union," it said.

When this reached London, it began to sound to some Britons like the mocking laughter of Maclean.

The letter from Burgess to his mother brought more questions in the House of Commons. Selwyn Lloyd, British Minister of State, said in January, 1954, that the letter "contained no indication of the present whereabouts of either Mr. Burgess or Mr. Maclean."

One member of Parliament, Lieut. Col. Marcus Lipton, bristled. "Is the Foreign Office still unable to say where they have gone, or is this secrecy just a veil for gross negligence on the part of the Foreign Office?" he inquired.

"So far as concerns the present whereabouts of these people," Mr. Lloyd replied, "I think that if the honorable and gallant gentleman presumed that they are behind the Iron Curtain he would probably be right."

Reports continued to come in.

In January, 1955, a British newspaper reported that Burgess and Maclean were working for the Soviet Foreign Ministry. Not only propaganda but diplomatic notes from Moscow, even Soviet policy, seemed to show their influence, especially that of the more brilliant Maclean.

The British Government kept mum.

Now, after nearly five years of official British silence, the full story is told—by a Russian.

For the story on how a Russian spy network ferreted out important Allied secrets in Australia, see the report by the Royal Commission on Soviet Espionage, based in large part on documents furnished by Mr. Petrov when he defected. Page 98.

PHOTO REPORT

NEW MISSION TO MOSCOW: ANOTHER LOSS FOR WEST?

The great enemies of World War II—Russia and Germany—are to resume friendly relations. That has now been agreed in Moscow.

Profound results can flow from such relations. Soviet Russia can bargain for German friendship. German ties with the West, rearmament, trade, the very shape of Europe itself, all are certain to be influenced by bargaining just beginning.

Soviet leaders can offer tempting things to Germans. The Western Allies have made Germany sovereign, free. But only Soviet Russia can offer the Germans a united nation. Territory, markets, the return of Germans held captive, many things now can be used by Soviet rulers to woo the Germans.

Germany, as a result of Chancellor Adenauer's trip to Moscow, now talks directly to the Soviet Union. Once again the future of Europe is made uncertain.

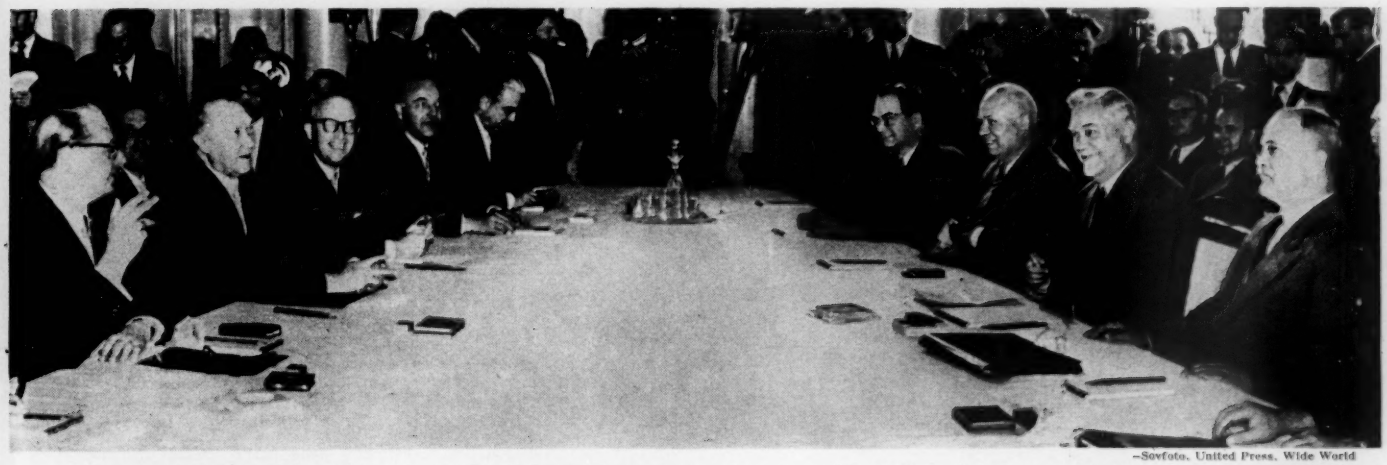
1. SOVIET RUSSIA AND GERMANY suddenly are on speaking terms at top levels. Last time this was true was 16 years ago when Hitler's Foreign Minister Von Ribbentrop signed the Nazi-Soviet pact with Soviet Foreign Minister Molotov.

2. IN WASHINGTON, early in June, 1955, Chancellor Konrad Adenauer discussed Moscow's invitation with Secretary Dulles. Even then there was concern that a sovereign West Germany, ally of the West, was to open contact with Russia.

3. IN MOSCOW, Adenauer was reserved, cautious, on his arrival September 8. He brought two planes, a special train, from Germany. Soviet Premier Bulganin gave him a guard of honor at the airport. Communist East Germans, to whom Adenauer will not talk, kept out of sight.

4. THE BAIT which brought Adenauer to Moscow was that only Russia can let 18 million East Germans join 50 million West Germans in a united country. East Germany is run as a Soviet satellite. In addition, Russia holds German prisoners.

5. TOUGH, UNSMILING, Bulganin and Soviet leaders first refused to give an inch. They flatly refused to consider German unity now. Adenauer flatly refused to deal with German Reds.



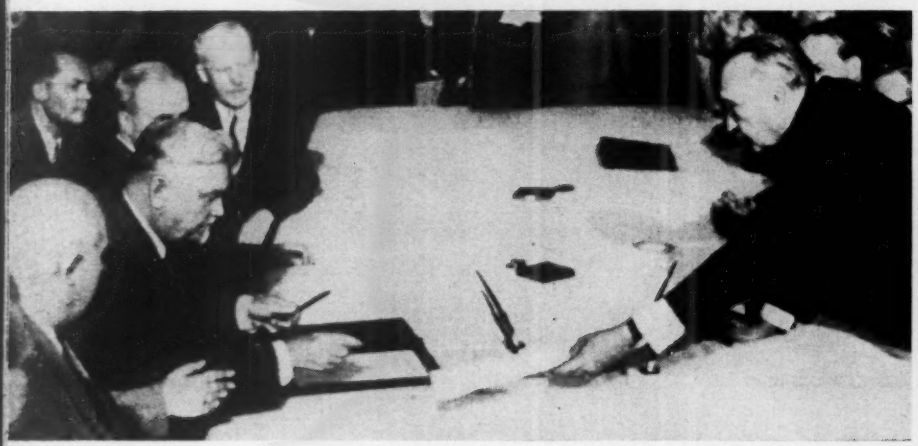
—Sovfoto, United Press, Wide World

6. DEADLOCK dragged through days of blunt talk at the conference table. When Adenauer asked return of 100,000 German war prisoners, Bulganin said Russia holds only 10,000 "war criminals" who are "not innocent martyrs." Adenauer said Soviet troops in Germany also committed "certain acts." Russians took this as an insult, said talks could end. ➡

PHOTO REPORT *(continued)*

7. AFTER PRAYERS in Moscow's Catholic church, Adenauer invited Soviet leaders to the country villa he occupied and walked in the woods with them. But German spokesmen said the results were "zero."

8. TOASTS AND SMILES, meanwhile, dominated social get-togethers. At Kremlin supper, unexpectedly, Bulganin talked in private with Adenauer, then predicted all would end well. German prisoners, Bulganin told Adenauer, might be freed.



9. A DEAL emerged in a dramatic last-hour exchange of letters between Premier Bulganin and Adenauer. Germany agreed, without conditions, to establish diplomatic relations with Moscow. Only later did Adenauer announce that Soviet leaders had promised to start releasing German prisoners.

10. SOVIET AIM in wooing Germany is to neutralize, or win as an ally, a nation which will have Germans in a real army. First step for Soviet leaders was to get into direct contact with West Germans. This was agreed upon at Moscow.

11. QUESTION WORRYING the West is which way Germany will go, whether U.S. troops in Germany may have to get out as Soviets want. Russia alone can offer the Germans unity. Now, in direct deals with Moscow, Germans may follow a new line.

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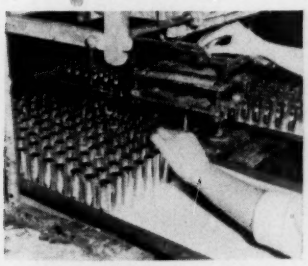

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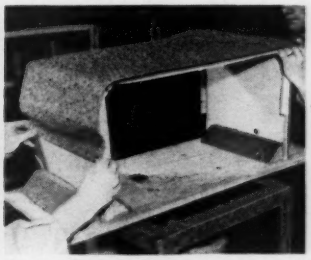

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When Real Crush Hits Colleges

Gradual Rise Under Way—Tidal Wave Later

Getting into college—any college—may not be so easy in the future.

Great swarms of youths will jam the campuses in the 1960s. As ranks of new students rise, colleges in self-defense will raise admission standards. That's happening now.

Latest figures show when the climax of the enrollment tide comes, and whose children will be caught in it.

At the start of one more school year, this question is asked by a growing number of parents: Are my youngsters going to get into college before the great crush begins?

What bothers parents is the thought that colleges will someday be as overcrowded as grade schools already are. So more and more people are asking: How soon will the immense crop of postwar babies reach college age? How many millions will be knocking at the doors of institutions of higher learning? Will colleges be able to care for all, or will my children run a risk of missing college? Is there to be any period ahead when campuses are uncrowded?

The answers, which can be given with mathematical accuracy, are these:

- Each year for the next 13 years the number of youths seeking a place in college will be larger than the year before.
- The rise in college population between now and 1960, however, will be gradual, averaging about 100,000 each year.
- After 1960, the rise in college students will accelerate. In 1965, the first of the postwar baby crop will hit colleges like a tidal wave. By 1968, total enrollment will soar above 4.6 million. The increase of 1.6 million students, in the eight years from 1960 to 1968, will exceed the total college enrollment of 1940.

What the outlook is for youths of various ages can be told from facts now available.

For the youth now 16, who is starting his third year of high school, getting into college is to be little, if any, more difficult than at present. Many private colleges already are turning down hundreds of applicants. They select only the more promising students. Even State universities are raising entrance standards.

The 16-year-old will be heading for college in the autumn of 1957. By then, colleges are expected to have 2.8 million students—8 per cent more than now. The main crush will be some years away.

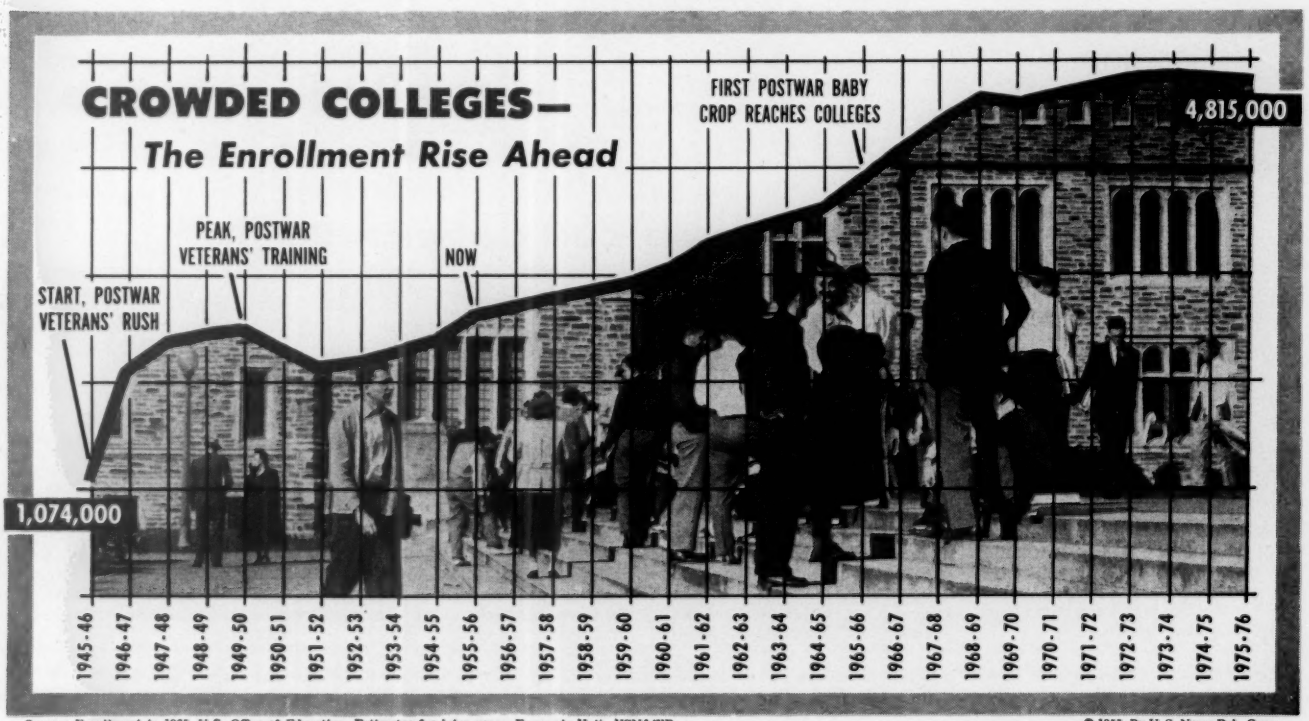
Youths now 14, just entering high school this year, also will get started to college ahead of the big flood. When these youngsters begin their higher education in the autumn of 1959, enrollment is expected to be hovering around the 3-million mark.

Colleges by then will be experimenting on a wide scale with new methods of mass education, such as the televising of lecture courses. But the worst crush, and radical changes in campus life, will be several years in the future.

Children now 12 and 13 are to get a taste of what the crowding at college will be like in later years. They are members of the baby crops of early World War II. When they enter college, in 1961 and 1962, freshman classes will swell to the largest in history.

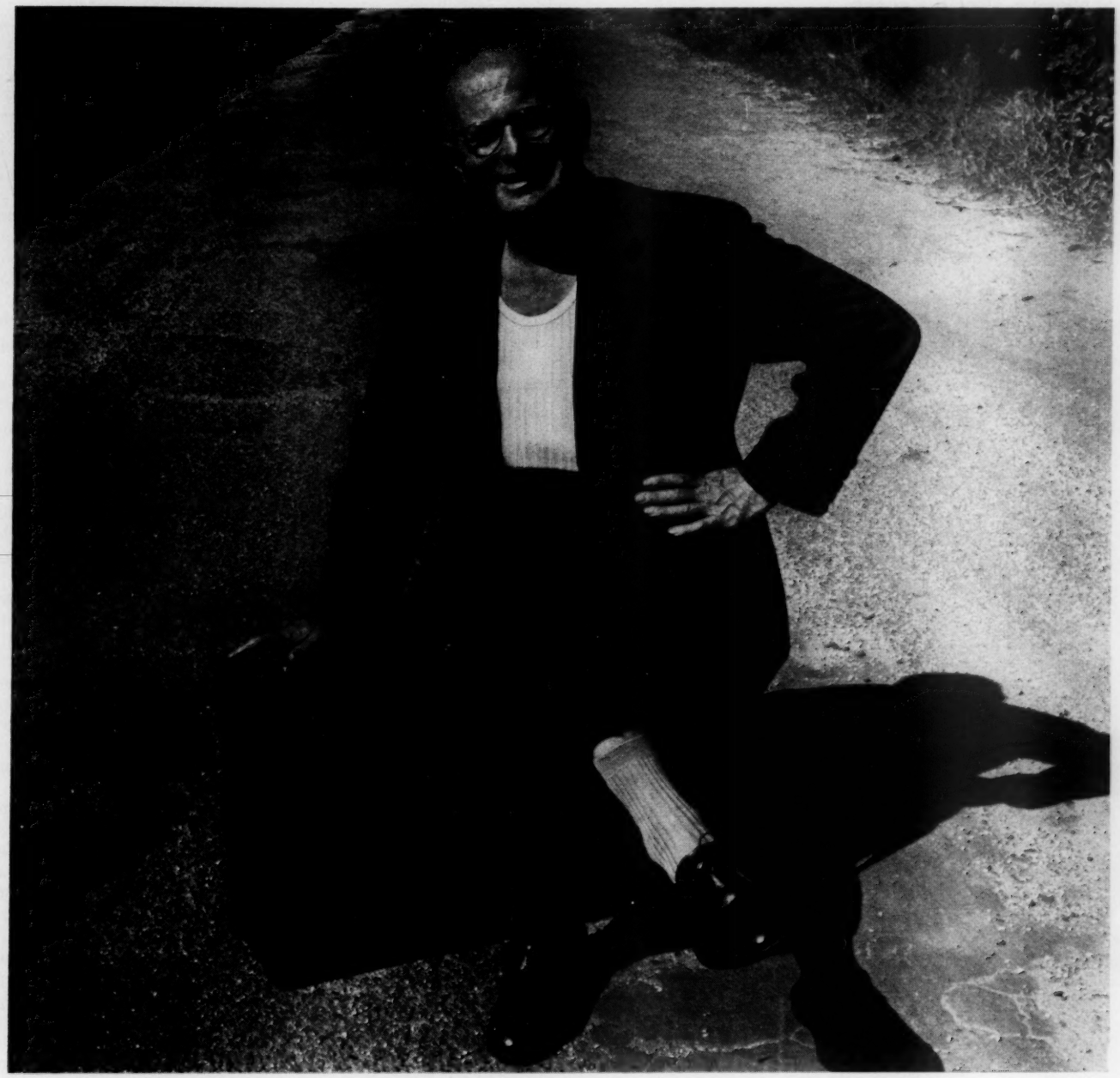
Enrollment will rise about 350,000, an increase of 11 per cent, in the two

(Continued on page 34)



Source: Enrollment to 1965—U.S. Office of Education. Estimates for later years—Economic Unit, USN&WR

© 1955, By U. S. News Pub. Corp.



Sylvan Geismar, Executive Vice-President of the Manhattan Shirt Company, tells you

"How to lose your shirt on the road!"

"On October 4th, our salesmen take to the road in the annual race for Spring orders. And it's a tough race. If every sample isn't up-to-the-minute in style, we can lose our shirt!

"But we keep our Manhattan and Lady Manhattan salesmen out in front – with Air Express!

"As trends unfold, we deliver the newest shirt-styles to our men in a few hours. When hot items sell out, we fill buyers' re-orders just as fast! Air Express is indispensable in maintaining our leadership with our retail accounts.

"Yet we save money on most of our Air Express shipments! A 15-lb. shipment from New York to Milwaukee, Wisc., for instance, costs $5.15. That's the lowest-priced complete service by $1.85!"

Air Express

GETS THERE FIRST *via U.S. Scheduled Airlines*

CALL AIR EXPRESS . . . *division of* RAILWAY EXPRESS AGENCY

[continued]

WHEN REAL CRUSH HITS COLLEGES

years of 1961 and 1962. Some educators expect the "crisis of the crowds" in colleges to start at that point.

For a time, at least, most institutions probably will be swamped with beginning students. Shortages of classrooms, laboratories and competent faculty members will be critical. Many youths will lose out and have to take the college of second or third or even fourth choice.

Children now 9 through 11, by contrast, may have a somewhat easier time getting into college. They are members of the smaller baby crops of the last years of World War II and the demobilization year of 1946.

When these students reach registration desks, in the years 1962 through 1964, freshmen classes will be smaller than in the immediately preceding years. But total enrollment at colleges still will be rising, and campuses will have about 40 per cent more students than they have now.

Eight-year-olds of today, the babies of 1947, will be the "first wave" of the really big rush for college. As the chart on page 32 shows, this is to begin in 1965.

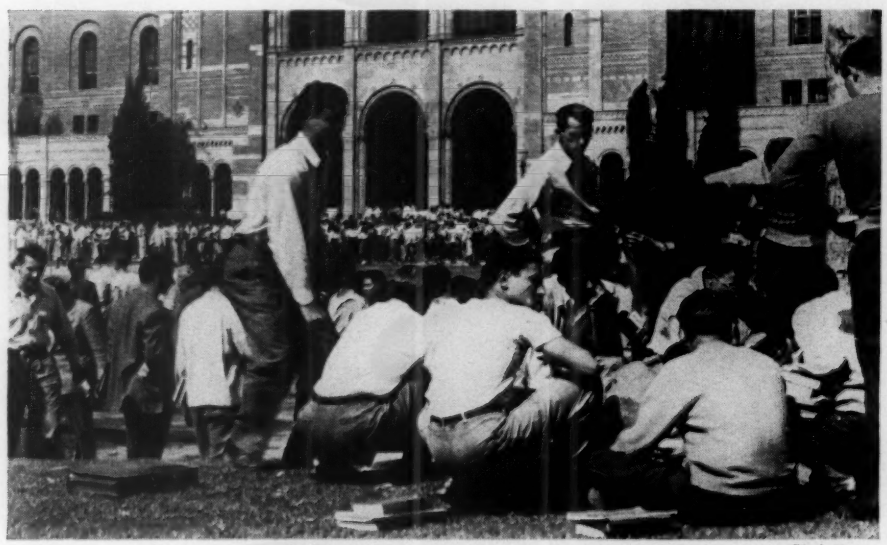
Enrollment is due to rise at least 9 per cent in the autumn of 1965, a jump in one year about equal to that expected in all of the three preceding years.

From 1965 on, there will be mounting waves of students trying to get into the colleges, as the children now younger than 8 reach the college age of 18, and head for campuses.

In the autumn of 1968, the freshman class may decline a bit, reflecting the decline in births that occurred in 1950, which itself was a reflection of the business recession of late 1948 and 1949.

In 1970, however, total enrollment will be on the way up again. A rise to more than 4.8 million in 1972 already is assured, on the basis of baby crops of recent years through 1954. Continued rise after that is predicted.

And still more? The crush may be greater than population figures indicate. The estimates of future enrollment are based solely on the rise in numbers of youths reaching college age.



—Black Star

ON THE CAMPUS: GREATER CROWDS
Biggest rush for college begins in '65

Enrollments will go even higher and overcrowding at colleges will intensify further if the historical trend toward more and more education for more and more youths continues to operate in this country.

In 1900, about 4 per cent of all college-age youths were in college. By 1919, about 8 per cent attended college. Now about 34 per cent of all youths in the 18-21 age bracket are in institutions of higher learning.

If this same rate of increase should be maintained in the future, by 1965 the colleges would have about 5 million students, instead of the 4 million predicted on the basis of population increases alone.

Some educators say it will be impossible to provide useful higher education for so many youths. Others regard the chance to educate the added millions in future years as a challenge that should be met.

Crowded campuses and rising admission standards already are familiar features of college life. Thousands of parents and students know that from personal experience.

Sought-after private colleges in the East turn down many times as many applicants as they accept.

A number of State universities report that they had to reject from 200 to 400 qualified women students this autumn, for lack of dormitory space for them.

The administrator of an engineering school in a State university estimates that he had several hundred qualified applicants for first-year courses who could not be accepted because laboratory space for them did not exist.

These are typical instances of shortages of college facilities. They are sure to multiply in years ahead.

What colleges are doing to meet their expansion problems is a big story in itself. In some States, universities are spreading out into new branches located in separate cities. In other States, there is a great growth of two-year, or "junior," colleges.

In these institutions a student can get a condensed education in liberal arts and, for example, a certificate attesting that he is an "associate in arts." He can stop with that or go on into two years or more at a university for a degree in arts or a profession.

What parents can do to help assure their children of a chance at college is limited. One tip is to "bone up" on what your own State university offers in the way of education—and what it requires in high-school courses and marks.

If your child is in the middle of the coming college rush, he will find it difficult to get into another State's institutions. States are making sharp increases in fees for nonresident students, and some impose higher scholastic standards for out-of-State students who try to get in.

Even though the worst of the college crush is years away, you no longer can take it for granted that your child can go to a certain college or State university as long as you can pay his bills.

Chances are that a well-financed student will always be able to get into some kind of "institution of higher learning." There are about 1,900 such institutions around the country. But it is obvious that competition for the more desirable school is going to increase as the ranks of students grow.

THE GREATEST AGRICULTURAL SHOW IN THE EAST
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1956 PENNSYLVANIA FARM SHOW
Previewed in January 14, 1956 Issue
To Be Mailed Early January 3, 1956
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Says B. Snavely Garber, Lancaster County, Pennsylvania

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Whenever you chart Pennsylvania farm income one fact stands out. It's unusually *steady,* month after month. It's right up there, too! Pennsylvania is a top-third state in farm income, a result of *planned diversification.* There's no dependence on a *single* crop for a full year's income.

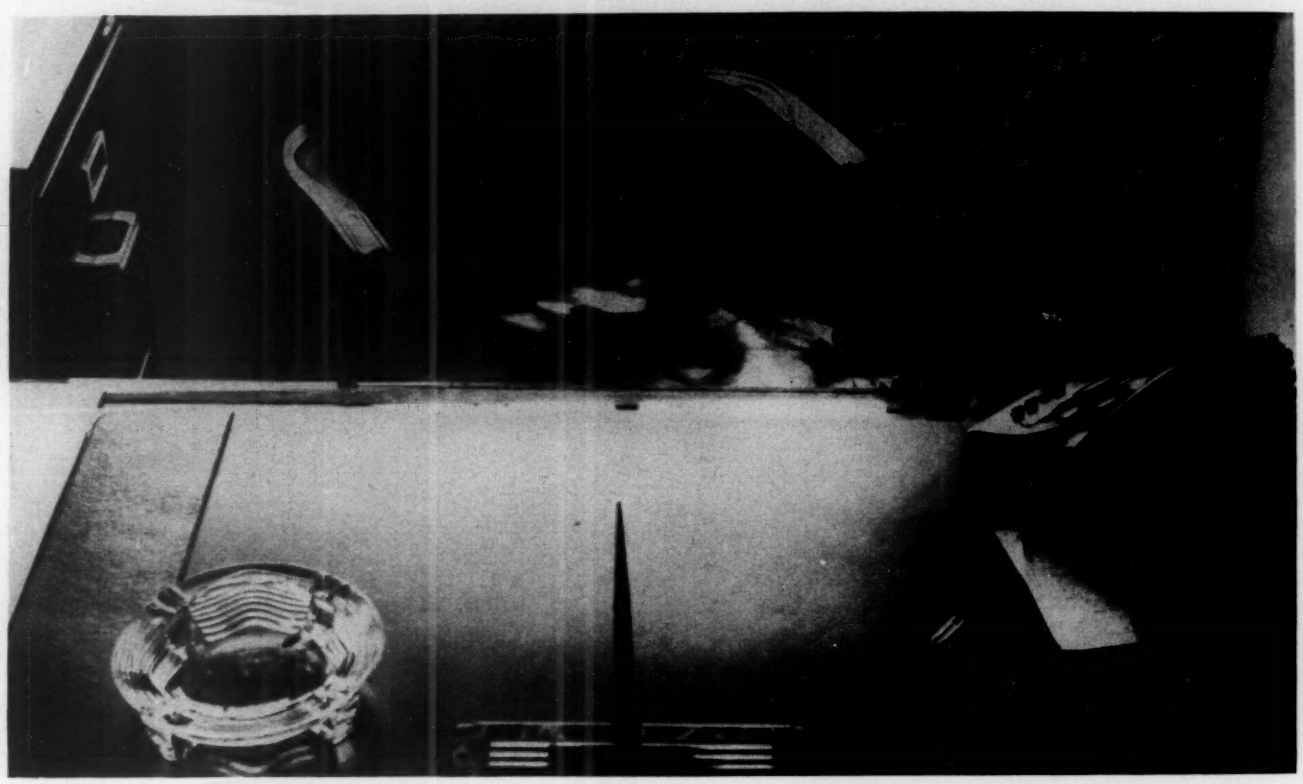
Your most practical way to reach this prosperous market is PENNSYLVANIA FARMER, published twice monthly to keep farm news—and your advertising—timely. You even save the cost of plates. PENNSYLVANIA FARMER, as well as two companion papers circulating in *steady* income areas—THE OHIO FARMER and MICHIGAN FARMER—are rotogravure printed. Get the *selling* story on these three low-cost mediums that produce a high number of customers with big buying power. Write 1010 Rockwell Avenue, Cleveland 14, Ohio.

PENNSYLVANIA FARMER

Harrisburg, Pennsylvania

THE OHIO FARMER, Cleveland, Ohio MICHIGAN FARMER, East Lansing, Michigan

How to keep your business alive in case of the death of a partner!



The *personal* wounds that a partner's death causes—the anguish, the emptiness, the aloneness—can be healed by time. *But not the business wounds that all too often follow.*

For if your partner's holdings are inherited by disinterested relatives who insist on selling out—or, even worse, by relatives who want to run things themselves—all that you built over the years can quickly be torn down.

What can you do about it? First, ask your attorney to draw up a Buy and Sell Agreement for the purchase of a deceased partner's shares. Then call in The Travelers man for *Partnership-Life* insurance which will provide the *money* to make the purchase.

You'll find that *Partnership-Life* costs less than the interest alone on what you would have to borrow (*if* you could borrow it!) to make the purchase yourself.

There are no simpler, more sensible precautions to take than these.

Why not see your lawyer—then The Travelers man—this week? (Or for additional information, attach the coupon to your letterhead, and mail.)

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CAN A FARMER BE JAILED FOR PLANTING TOO MUCH WHEAT?

Even President Eisenhower, as a farmer, finds himself subject to strict controls governing the amount of wheat he can grow.

Ike is well within the law, but more than 14,000 U. S. farmers got in trouble by violating wheat restrictions in 1954.

Some of these farmers refuse to pay penalties imposed by the Government. In at least one case, federal agents said they were ordered off the farm they sought to inspect.

A farmer can't grow wheat outside his allotment even to feed to the chickens. Farm rules today are tougher than any the New Deal ever tried to enforce.

On his original farm of 189 acres at Gettysburg, Pa., President Eisenhower has a formal "allotment" from the Government telling him that he can grow no more than 24 acres of wheat in 1956.

As late as 1952, Mr. Eisenhower was growing 40 acres of wheat on that same farm. If he now should plant and harvest more than 24 acres of wheat a penalty could be imposed upon him.

In case President Eisenhower should go back to his earlier 40 acres of wheat, growing 20 bushels to the acre, he could be directed to pay a penalty of around $340. The exact amount would be determined by the parity price of wheat just before harvest in 1956.

The penalty could be imposed whether or not Ike tried to sell the wheat grown on his farm. He would be expected to pay it even though he had no intention of getting a price-support loan on a single bushel of the grain. If he decided to feed it to livestock or chickens he would still have to pay the penalty.

Even if the President ground the wheat into flour to make bread for the Eisenhower table, he couldn't escape the penalty. To avoid paying the fine, he would have to give the excess wheat to the Department of Agriculture, or store it and promise not to sell or use it.

Even tighter reins? If he chooses, the President—or any other farmer—can turn to growing oats, barley, corn or some other crop on the acres that the Government has directed him to take out of wheat. Political pressure is growing, however, to invoke a "cross compliance" rule that would limit a farmer's choice of crops for acres diverted out of wheat. This would forbid him to put those acres in any other crop that is under controls.

Now a farmer who does not wish price supports can grow up to 15 acres of wheat

—USN&WR Photos

MEASURING WHEEL AERIAL PHOTOGRAPHS

These are the Government's weapons against overplanting

HOW MANY DRIBS IN A DRAB?

by
J.P. Van Winkle
President
Stitzel-Weller
(Old Fitzgerald)
Distillery
Louisville, Kentucky
Established 1849

Our cook once told us how she makes those fluffy biscuits of hers. —"I mixes a drib of this with a drab of that, then I sticks 'em in the oven!"

Making old-fashioned sour mash bourbon follows the same rule-of-thumb. But you better know your dribs and drabs.

Your ingredients are few and simple—grain, yeast and water. To these you apply only heat, cold, and time.

In fact you're in the distilling business on a midget scale with only three basic tools—a cup to measure *quantity*, a thermometer to measure *temperature*, and a watch to measure *time*.

All distillers use variations of these same tools in about the same order. The difference in whiskies comes in the way they vary their amounts, temperatures and time.

Our special kind of bourbon, for instance, is made in the slowest, most patient and natural way.

Our corn, rye and barley malt, ground just so, simmer in open tubs to appetizing fragrance through three full hours. Our mashes cook longer (time) and require more grain (amount).

We preflavor our fermenters with a portion of the previous day's run, add our sweet pedigreed yeast to the cooled mash, then let it ferment for 72 to 96 hours. Again, *amount, temperature and time.*

We gently distill, then redistill at temperatures which permit the distinctive OLD FITZGERALD flavor to be carried *through* the still.

We then lay it away in new, white-oak barrels, extra thick and deep-charred, stored in airy, open-rick warehouses where Kentucky's summer sun and winter frost age it to a rare mellowness.

Through all these steps *amount, temperature and time* are at work to give you a bourbon of unusual character and fineness.

As with the biscuit expert in our kitchen, our "drib and drab" method was not learned overnight. Behind it lies more than a century of patience and skill.

We invite you to join the inner circle of business hosts who have discovered this custom-made character in OLD FITZGERALD, and find it good business to share, in moderation, with associates and friends.

Bonded 100 Proof Original Sour Mash Kentucky Straight Bourbon

[*continued*]

JAIL FOR TOO MUCH WHEAT?

and not be subject to penalties. Some officials are urging that this provision, too, be eliminated.

Who can grow what and in what quantities is to be determined more and more by government officials, with the individual farmer—from a President on down—forced to accept the decisions if he wants to get the benefit of Government price supports. A farmer already faces a fine if he disobeys Government decisions on certain crops—namely wheat, cotton, tobacco or corn.

The farmer does have one recourse. He can vote against the programs that carry penalties. But if the farmer turns down these programs, which must be approved by a two-thirds majority, he gets a price support of only 50 per cent of parity. With this economic sword dangling over their heads, farmers have returned majority votes for the stiff controls and penalties in most of the referendums held to date. When thus approved, the law becomes binding on all.

Penalties imposed by the Republican Administration for growing too much wheat in 1954 have hit 14,268 farmers. Secretary of Agriculture Ezra Taft Benson, who has repeatedly expressed his distaste for strict farm controls, finds himself carrying out a law written by a Democratic Congress in 1938.

Some individual farmers, however, have rebelled. In doing so they have attracted attention.

In Hummelstown, Pa., 45 miles northeast of President Eisenhower's Gettysburg farm, Miss Elsie Mumma is refusing to pay a penalty of $403.20 on a charge of growing wheat on 18 acres more than her allotment permitted. Miss Mumma, on being directed by the U. S. district court, in Scranton, Pa., to pay the fine, wrote to the court, in part:

"1. I am not guilty of the charges contained in this complaint (the court order).

"2. The complaint is false and incorrect.

"3. I am an unmarried orphan in the homestead of my forefathers. I ask for a trial by jury at the earliest possible hour in the U. S. courthouse, Harrisburg, Pa."

—International

ELSIE MUMMA, A FARMER
". . . the homestead of my forefathers"

Less than 60 miles from Secretary Benson's Washington office, Government men attempted to check on a report of wheat-acreage violation on the farm of Lewis Shafer and his three sons at Westminster, Md. One of the Government officials later told a court that he was ordered off the farm and warned he would be shot at if he went to measure the field in question. A federal district court in Baltimore ruled that the Government must be given entry, but the Shafers have appealed the decision and say they will go on to the Supreme Court if necessary.

Jail sentences for farmers who defy court orders, if the courts continue to

rule against them, and they defy the court rulings, are a real possibility. Under the law as now written, however, no farmers will go to jail for refusing to pay penalties imposed for overplanting their wheat allotments. If such farmers should go to jail, they would do so for contempt of court.

Routine Government procedure when a farmer refuses to pay the penalty is to obtain a court order against him and then proceed to collect the money by seizing personal property, putting a lien on his crops, or even forcing sale of his farm as is sometimes done to collect unpaid taxes.

Constitutionality of the law has been challenged on numerous occasions, but the farmers who instigated such actions have always been overruled since the Supreme Court decision in 1942 in the "Wickard-vs.-Filburn" case. The high tribunal held that Claude Wickard, then Secretary of Agriculture, was right in insisting that the farmer in the case pay the assessed penalty.

With the Wickard-vs.-Filburn decision as their "enforcement bible," Department of Agriculture officials are cracking down. Of the 14,268 farmers who grew over-quota wheat in 1954, all but 1,374 have made peace with the Government by paying the penalty or by storing the wheat or giving it to the Agriculture Department. Officials expect about a third of the remaining cases will have to be decided by court action.

The crackdown is aimed at letting farmers know that the Government intends to enforce the law. Officials hope this will forestall trouble in settling the cases now accumulating from violations on the wheat crop harvested this year.

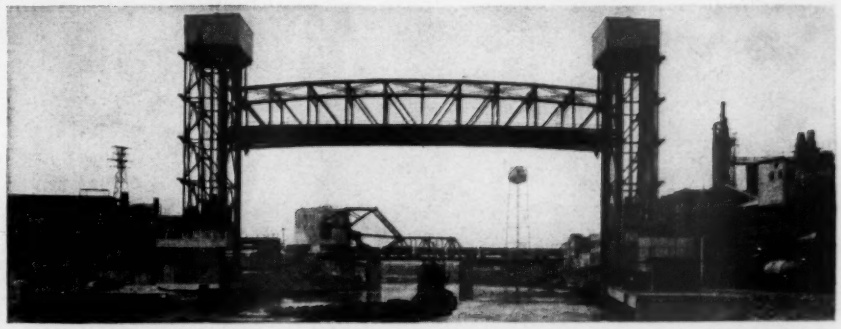
New Deal farm programs of the early '30s were not as drastic, from the standpoint of compulsion, as the farm programs that the Republican Administration finds itself enforcing today. Though wheat, corn and cotton were plowed under—and little pigs killed—the program was voluntary.

The present law for clamping a lid on farm production was written in 1938, but the penalties for violations were much lower then—only 15 cents a bushel on wheat, for instance. The penalty was increased in 1941 but then World War II came along and the pressure was to increase, rather than cut back, farm production. Now it falls to the Republicans to enforce the rigid regulations and the stiff penalties.

As the farm-surplus stockpile continues to grow, despite the rigid controls, there seems little likelihood that President Eisenhower will get a larger wheat allotment for his farm or that Secretary Benson will be able to ease restrictions on crop production in the immediate future.

Selling to new construction?

Shopping centers offer a big, growing market to people who sell to new-construction. This one, O'Neil-Sheffield Shopping Center in Sheffield, Ohio, designed by Architects Weinberg & Teare, and built by General Contractor Sam W. Emerson Co., users of Dodge Reports.



South Park Avenue Bridge over Buffalo River, Buffalo, N. Y. is example of tremendous market in public works field. Designed for the City of Buffalo, William G. Seyfang, Commissioner of Public Works, by A. Stuart Collins, Consulting Engineer. Built by Frazier-Davis Construction Company, users of Dodge Reports.

Want to sell more?

Here's how. If you want to sell to new construction, you have to *find* the buyer . . . you have to find out who he is, where he is, and what he wants. Dodge Reports give you these facts. The buyer—in the new construction field—has actual *needs*. He is *ready* to buy somebody's product or service. But he'll buy yours only if you get to him *at the right time.*

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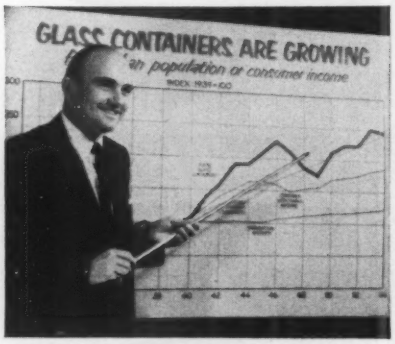
1 **Royden A. Blunt** (right), president, and Victor L. Hall, general manager of the Glass Container Manufacturers Institute, Inc. (GCMI), discuss the steady rise in glass packaging. Says President Blunt, "Glass lets you see what you buy. And glass jars and bottles are better and stronger than ever today, thanks to glass-makers' modern, research-developed techniques . . . and to cooperative suppliers." Quality control of Wyandotte's raw-material chemicals helps write a key chapter in the continuing success story of glass containers. Wyandotte also serves the plate glass industry . . . is an important supplier to other chemical makers.



2 **R. L. Cheney,** GCMI marketing director, shows U.S. use of glass containers is growing faster than population and income. Important benefits of glass are its purity and clarity—assured by high-quality chemicals, such as Wyandotte soda ash.

3 **Modern,** automatic glass-blowing machines turn out bottles and jars as fast as 250 units per minute. As a producer of raw-material chemicals, Wyandotte also serves the chemical, paper, soap, detergent, rubber industries—to name a few.

4 **In 1954,** glass manufacturers packed and shipped nearly 18 billion new glass containers of all sizes and shapes. Annual retail sales are four times this figure due to huge re-usable-container sales in many industries. Glass is rugged; travels well.

There's a story on Wyandotte chemistry at work behind the...

big boom in bottles

ANCIENT Egyptians first crafted glass containers more than 4000 years ago by winding molten glass threads around a core of sand. Through the centuries, glass has proved to be the most versatile and indispensable material for packaging ever devised.

Today, continuing research programs keep apace of the ever-increasing demand for glass containers – with better and faster manufacturing methods, modern styling, technical improvements. The demand is great: last year alone, U.S. sales reached a total of 73.1 *billion* glass-packed units—beverages, foods, cosmetics, medicines, chemicals—an average of 454 containers per capita . . . a boom with the end nowhere in sight!

Wyandotte has been a working partner in the glass industry for more than 64 years, supplying raw-material chemicals and technical assistance—as well as specialized washing and sanitizing products. Fact is, in practically every industry you can name, Wyandotte chemicals – organics and inorganics – play a vital role. How about *your* business – may we serve you? *Wyandotte Chemicals Corporation, Wyandotte, Michigan. Offices in principal cities.*

Wyandotte CHEMICALS

REG. U. S. PAT. OFF.

Organics, Inorganics — World's largest manufacturer of specialized cleaning products for business and industry

5 **Glass containers** have great sales appeal; are clean, durable, easily handled. Wyandotte not only supplies chemical raw materials for glassmakers, but is a major manufacturer of specialized washing and sanitizing products for dairies, bottlers.

6 **Glass is an ideal** packaging material for all the various types of foods and beverages that you consume every day. Because glass is chemically inert, nonporous, and odorless, it is indispensable, too, for medicines, chemicals, cosmetics.

7 **Want a conference** on your chemical needs? Bring your product or processing problem to us. Our new research center is equipped to give you practical information on the application of the many chemicals within our manufacturing background.

Interview with 3 AIR FORCE OFFICERS

Maj. Buckingham, Maj. Keating, Lieut. Col. Clary

"WE TOOK THE 'TORTURE' COURSE"

Grim stories have been printed in recent weeks of Americans torturing other Americans—airmen forced to spend long hours in cramped "sweatboxes," "coffins" and water-filled holes, in a "torture" course run by the Air Force near Reno, Nev.

To get the real facts of what has been going on there, not just what is seen now by reporters, *U. S. News & World Report* interviewed three Air Force officers who either have attended the "Survival Training School" or know the course at first hand.

Here is what they told, from their own experience with the "torture" course at Stead Air Force Base.

Maj. Charles E. Buckingham, a young West Point graduate and former B-29 and B-36 pilot, did most of the talking. Maj. Walter F. Keating, who flew 64 missions in World War II and was once shot down in Burma, evading capture for a month and returning to his base, added his comments. So did Lieut. Col. Lawson Clary, Jr., a combat veteran of the Korean war.

Q What's this so-called torture course all about?

A It's an effort to give some realistic training to American airmen who may some day be unlucky enough to be shot down behind the enemy lines.

Q Just what does it involve?

A There are three phases, with lectures, followed by a practical demonstration of each. There's a "survival" phase, where a fellow is taught how to live in enemy country if he is shot down with very little equipment. There's an "evasion" phase, where he's taught to evade capture and outwit enemy troops who are looking for him. And there's a "prisoner-of-war interrogation" phase, where he's told and shown a lot of things that might happen to him as a prisoner of the Communists—and how to resist them.

Q How did the course develop?

A The story goes back to World War II, when the Army Air Forces tried to work up a realistic course for teaching survival and evasion techniques. The big question all along has been how to get the biggest practical amount of realism into the course—like the infantry using live ammunition in its training of recruits for combat.

Q Then courses like these have been going on since World War II—

A Survival schools have, yes. At the present time, we have three survival courses.

Q Where are they?

A One is in Germany, one is in Japan and the third is the one at Stead Air Force Base in Nevada. In addition to that, almost all of our training units periodically run survival exercises to acquaint their personnel with the equipment used, and these exercises are built into an evasion course.

Q When was the POW-interrogation phase added to the survival phase?

A The static display actually developed in 1951, when the Air Force built a model POW camp, along lines the Communists were using in Korea at that time, to demonstrate the various types of prison-camp conditions—what to expect, what prisoners can do and how to develop the needed leadership under very adverse conditions.

Q And that grew into a course that now takes how long?

A Just over two weeks.

Q How many men are taking the course?

A About 300 to 400 are enrolled in each class now, so that something like 30,000 men have taken the course by this time.

Q In other words, this all evolved out of a survival course?

A It's still largely a survival course. Out of two weeks' training, there are approximately five or six days taken up in class work, about eight days taken up in a survival exercise, and approximately a day and a half taken up with the exercises in which you may become captured and brought back to the POW compound. But the men taking the course now get a setup to demonstrate the various phases of prison life.

Q What about all the pictures that are being published showing men undergoing tortures of various kinds?

A Those are pictures of demonstrations. Every one is especially posed by an instructor or a volunteer for a few minutes, either for photographers or for purposes of showing a class the Communist methods of torture—involving boxes or pits or broomsticks—that they may have to face some day. In each class, there are demonstrations of some or all of these techniques, which most of the students watch.

Q Are there other, more specialized survival schools?

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"We Had a Fine Time" . . . Lessons Taught: Survival, Escape, Evasion . . . Techniques: Trickery and Clever Questioning

A Yes, several. The Air Force has survival schools in Alaska and Greenland which specialize in arctic conditions. And a school down in Savannah specializes in swamp conditions—anyone who is frightened of snakes, for instance, is really undergoing a pretty harrowing experience there, where downed airmen are taught to survive in a swamp. But it teaches them to use their equipment.

The same thing occurs in Germany, where courses specialize in conditions in that part of the world.

Q Is there any difference between the courses in, say, Germany and Japan—is it the same basic training?

A It is basically the same training in survival, but there are areas of specialization—languages and so on.

Q Are the other services conducting similar schools?

A Yes, I believe they are. There are also a number of Army, Navy and Marine Corps personnel taking the course at Stead.

Q Were you ordered to take the so-called torture course or did you volunteer for it?

A Those of us in SAC [Strategic Air Command] were ordered as crews, for our own well-being, to go through the survival training—as a course of training.

Q Has General LeMay, head of SAC, gone through the course?

A Yes, he certainly has. He's a great outdoor man, incidently, and eats this stuff up.

Q Will you describe generally what you did in the course?

A I took a B-36 crew of 15 people, including myself as the aircraft commander—

SECRETARY QUARLES SAYS:

We are not trying at Stead Air Force Base to prepare people for life as prisoners of war. We are trying, instead, first, to teach them as much as we can about how to evade capture and to escape if captured; and, second, how to behave if they are captured and retain, not so much in their own interest—but how to behave to protect the interest of the nation and their fellow soldiers that are still fighting behind them.

—Donald A. Quarles, Air Force Secretary, on the Columbia Broadcasting System's television program, "Face the Nation," Sept. 11, 1955

Q Both officers and airmen?

A Both officers and airmen—we had a crew of eight officers and seven airmen, making up a complete B-36 crew. The first five or six days were taken up with lectures and demonstrations by Stead Air Base people, primarily dealing with survival techniques. We had lectures regarding prisoner-of-war

(Continued on next page)

—USN&WR Photo

MAJOR KEATING, COLONEL CLARY AND MAJOR BUCKINGHAM TELL THEIR STORY
"I don't think there was one of us who wasn't glad he had taken the course"

. . . "The longest any man was questioned was 40 minutes"

camps by some people who had been in those camps during World War II, and some who had been in camps in Korea and had escaped.

Q Then you had to go through a practical demonstration of what happens to airmen shot down in enemy country?

A Yes. At the conclusion of these five or six days of lectures, we went on a 36-hour trek which is called "escape and evasion." This simulated being shot down fairly close to your own lines, where you might expect to get back to your own lines within 24 to 36 hours. We took with us a canteen of water and that was all, with maybe a candy bar that you had in your pocket.

The purpose of the exercise, of course, is to get back through the enemy lines, and they laid out the area through which we had to return to home base. If you were caught

—U.S. Air Force

"WE WENT INTO THE MOUNTAINS"
Learning to "live off the land"

during the exercise, you were put in the prisoner-of-war compound and interrogated.

Q In this phase, then, they had simulated battle lines?

A Right. They actually had the instructors go out and try to track you down. And they did a pretty good job of it, I might add, because nine of my crew members, out of 15, were captured. And this seemed to run pretty true to form.

Q Just what did the interrogation consist of?

A Well, about one out of 20 of those who were captured went through questioning of some kind, while the other 200 or 300 people listened in. Just four of my crewmen were interrogated, and each lasted about 10 minutes.

Q There weren't any cases of a fellow spending two or three hours in a box?

A No, none of that. The longest that any one man was questioned was 40 minutes. It's more likely to be 10 or 15 minutes.

Q What techniques did they use with your crew members?

A Well, they started off with the name, rank and serial number.

Q What kind of pressure was used?

A I don't recall any pressure being used on them. Some decided to talk, however. I'm sorry to admit that, after all those lectures, some of my crew members confessed to a lot of things they shouldn't have, without much pressure.

Q How did the questioners accomplish that?

A It was just clever questioning. I don't understand it.

Q Do you know of any instances in which pressure has been applied to people in this course, more than just clever questions?

A I could only answer that through hearsay, if you're interested in hearsay. The worst I have heard was being put in a cold room, which is more or less a solitary hut. The rest of the devices—like the "sweatbox"—are there for demonstration. Out of each class you generally get a few young volunteers who want to try it out to see what it is like.

Q They don't assign a man to lie in a "coffin" with a gravel bottom?

A No.

Q Then is most of the interrogation confined to trickery and clever questioning?

A Yes. And they had some excellent interrogators, because most of them were interrogators during the last war. A lot of these boys really knew the tricks, learned them by interrogating Germans and Japanese. They weren't amateurs in most cases, which was good, because we're not going to be up against amateurs if we ever get caught.

Q What happened next in the course?

A After this 36-hour ordeal, we then went out into the Sierra Nevada mountains. That was for about seven days of survival training. For that week, you had your entire crew with you and the survival kits you might expect to have in the plane if you crash-landed your airplane or had to bail out and live off the land, so to speak.

Well, for those seven days you live off the rations that you have, and inasmuch as there are game laws against shooting deer out there, they gave us some beef to take with us. We had a fine time.

Q Did you stay together in a group?

A Yes.

Q Did the instructor go with you?

A Yes, we had him along. We did a lot of walking and had plenty of time to camp down in spots and go fishing—we caught lots of fish. To be honest with you, I've never enjoyed anything more than I enjoyed that week. Some of the things we did are classified, so I can't go into those. But it was really a very enjoyable seven days.

ONE MEAL A DAY—

Q How did you eat?

A We had pemmican [dried meat] rations which we mixed with some chili powder and wild onions to make a kind of stew. We had about five pounds of beef for each one of us, and some potatoes. The first day we built a rock oven. You line it with rocks and put in a lot of logs, which are burned until the rocks are hot. Then you leave the meat in there for

(Continued on page 46)

The sign that will seldom go on in flight!

The four fierce horsemen that shake the skies—Thunder, Rain, Lightning and Hail—have met their match in Bendix* Airborne Radar. Planes equipped with this wonderful new device can now safely avoid the turbulence and damage storms often cause. Even at night, Bendix radar sees storms up to 150-miles range and projects a clear, detailed picture of their location, size and intensity on a scope in the cockpit so pilots can decide what to do—skirt the area or fly through it if the radar indicates a clear passageway.

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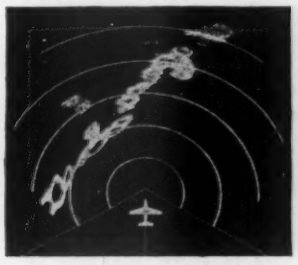

Actual storm ahead as pilot sees it on radar scope. It indicates that, by changing course very slightly to the right, he will find a smooth, storm-free route.

Bendix RADIO & RADAR

Bendix Radio Division • Bendix Aviation Corporation • Baltimore 4, Maryland

. . . "West Point's first year was 10 times tougher"

four or five hours until it is cooked through. We had one meal a day—a very substantial meal.

Q Did you kill any animals at all?

A No, we didn't, because of the game laws.

Q What does the survival kit weigh?

A The E-1 weighs about 35 pounds. The survival kits we had for fighter aircraft weigh 12 or 14 pounds.

Q They are carried individually?

A They are carried in aircraft and, in the case of a fighter, the man keeps it with him.

Q Just how did this camping trip fit into the course?

A One of the primary purposes of these schools is to teach the individual the use of his equipment under these various "environmental" survival conditions. It teaches him to forage off the land, and how to exist in the open if he gets kicked out of an airplane. These exercises are introduced, too, to develop in a man an appreciation of evasion—the tactics and techniques to evade while in a hostile area. It's a corollary to the prisoner-of-war situation.

—U.S. Air Force

SOLITARY-CONFINEMENT "SWEATBOX"
"A few young volunteers want to try it out"

So the idea is to place within these courses as many of the obstacles, as many of the conditions as you possibly can to teach survival, evasion and behavior in prisoner-of-war camps.

Q When these fellows are caught by simulated enemy troops, do they still tend to look on it as a sort of lark?

A Yes, I think that in most cases they realize in the back of their minds that it is only a game.

Q Is there any way to develop that sense of insecurity which occurs in actual circumstances like that?

A No, you can't really simulate it. However, this training is realistic—for instance, you can simulate mountain climbing to a certain extent, but when you get right down to it you have to do it, and it is done in this course.

I think the realism is enhanced, too, by taking a man into one of those POW compounds and actually throwing him into it. There are 24 to 36 hours when the troops are going through this and they get a pretty good idea of what the real thing is probably like.

Q How about casualties—do you know if there have been any among those who have taken this course?

A Oh, there are bound to have been sprained ankles, broken arms—

Q Anything more serious than that?

A No, no serious casualties that I know of. The Air University at Maxwell Air Force Base runs a similar course. We get numerous sprains—in one case, a broken leg—out of the course. So there are bound to have been broken legs, broken arms, sprains, I would think. The biggest problem, I'd say, is that of blisters on the feet. And this, of course, is due to lack of conditioning.

WHAT PRISONERS CAN EXPECT—

Q You said earlier that there was a series of lectures on what to expect as a war prisoner now. Could you tell us what impressed you most about that?

A It was the treatment that Americans got as Communist prisoners in Korea. We were told that we could not expect Communists to adhere to the Geneva Convention—that they paid no attention to those rules, things of that nature.

In other words, we were led to believe that we could not expect a Communist enemy to give us the POW treatment that we gave POW's during the last war, and that we as a country will adhere to. This was put across to us vividly by men who had been prisoners in Korea, and by some who had escaped.

It all convinced me that personally I don't want to be captured, and I will do everything I can to evade capture. And that is what they teach you—how to evade capture and how to survive while you're evading capture.

Q How would you compare the degree of ruggedness of the course with the basic training in the Army or Air Force?

A I never had basic GI training, but I was a West Point cadet—I was a plebe and I'll go through this course 10 times over before I would ever go through that first year at the Academy again. It was 10 times tougher than any part of this survival course.

And one of us here claims that the initiation ceremony of his college fraternity was much more rugged than this so-called torture course.

Q Did your crew lose any weight during the course?

A Oh, yes, the average weight loss was about eight pounds. I got down to the weight I was when I was 21 years old—10 years ago. In that way, it was good conditioning.

Q You went through it in the summertime. It might be a little different in the wintertime—

A I understand that in the wintertime the distances traveled are not so great. In other words, the men are not taken out as far in the cold weather when there's a lot of snow.

Q Is it possible that the course, instead of being too tough, isn't tough enough?

A There's room for a wide area of opinion there. If you want to make a realistic course, the ideal thing is to make it as

(Continued on page 48)

ORE . . .
enriched by man

Extends Nation's Iron Reserves for Generations to Come!

Going, going . . . almost gone are many of the great deposits of ready-to-use iron ore that have fed U. S. steel mills for almost a century.

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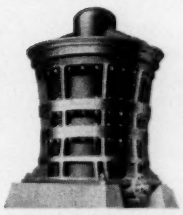
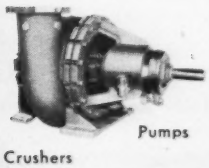
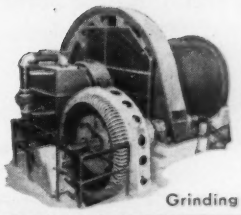


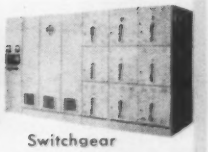
Crushers



Pumps



Grinding Mills



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ALLIS-CHALMERS

. . . Reports of "torture" are "way out of proportion"

near to the actual situation as you possibly can. So where do you draw the line between realism and simulation, for safety and time involved?

One thing is that, if you were concentrating Air Force training in that area alone, you'd take a longer period of time to do the job. But this is a one-shot proposition. You can't be too hard on the fellows physically, because most of us are not in very good shape. However, if you are given six months to harden a man up, then I'd say yes, you could be much tougher.

Q Who takes the course now? Do all flying people take it?

A I can speak only for SAC. There, all flight personnel and staff personnel take it. Some of the staff personnel actually went along as fill-ins on the crew once in a while. If you had a man sick in the hospital, for instance, his staff officer would fill in as part of the crew.

Q Do you know if the "chairborne" corps take the course, as a rule?

A Not as a rule, but in SAC they do. In SAC, they try to do everything that it would be common for the crews to do—the intelligence people, the planning people, everybody tries to get aboard an airplane and operate like crew personnel when they can.

Q Do you feel, then, that reports of the POW "torture" phase of the course have been exaggerated?

A I'm a little surprised that the emphasis has been put on just this one phase of the course. I think it's way out of proportion to reports about the rest of the course, and to what the course tries to do.

It is primarily designed for the use of your equipment, to demonstrate how to use it to survive under conditions of having been shot down in enemy territory. Secondly, the techniques of evasion or cross-country movement in hostile areas are taught in practical detail.

The particular phase that has been blown up—about how to act if captured—really is the court of last resort. You have two chances, and if you don't evade capture or escape, then you're in that sort of situation. Timewise, this occupies less than a seventh of the total course.

I am surprised, too, that there is such a hue and cry about this particular portion of the course. It seems to blow up the thing. Incidentally, there is a group of psychologists from Stanford University, working right with the people at Stead Air Force Base, who are trying to actually find the mechanisms that are involved in breaking a man down under interrogation, and how to combat them.

Q One of the things told about some of these courses is that, if you are caught and insist on telling nothing more than your name, rank and serial number, and were stubborn about it, they might string you up over a pipe—tie your wrists over a pipe at such a height that you could just touch the floor with the balls of your feet. Have you heard of anything like that, either at home or overseas?

A I have not.

HOW TO ESCAPE—

Q Were you taught any techniques for actually escaping from a prison camp?

A Yes, you could even get out of the compound where I was kept, but it is pretty tough to do. There was a means of escape, and instructors taught you the various methods of digging out, and gave some specific examples of people who had dug their way out of camp. They had, there in the compound, people who had gotten out at one time or another.

Q Did you get any instruction as to techniques to use as a prisoner under questioning?

A They told us of a boy in Korea who spent 13 weeks talking about a two-week basic course he had had in the Army. He just made up a lot of fabrication. Of course, this sort of thing works sometimes, and sometimes it doesn't—depending on how smart the interrogator is.

Q Do you have any personal thoughts as to how the course could be improved?

A Generally speaking, it would be better if there were ways of making it more realistic. But it is a pretty good compromise now and getting better.

One thing that hasn't been brought out here yet, and we might bring it up now, is that, at the end of the course, each crew is permitted to comment and make recommendations and suggestions to improve it. They also make written comments about their instructor—whether he was a good instructor, a bad instructor or otherwise.

—U.S. Air Force

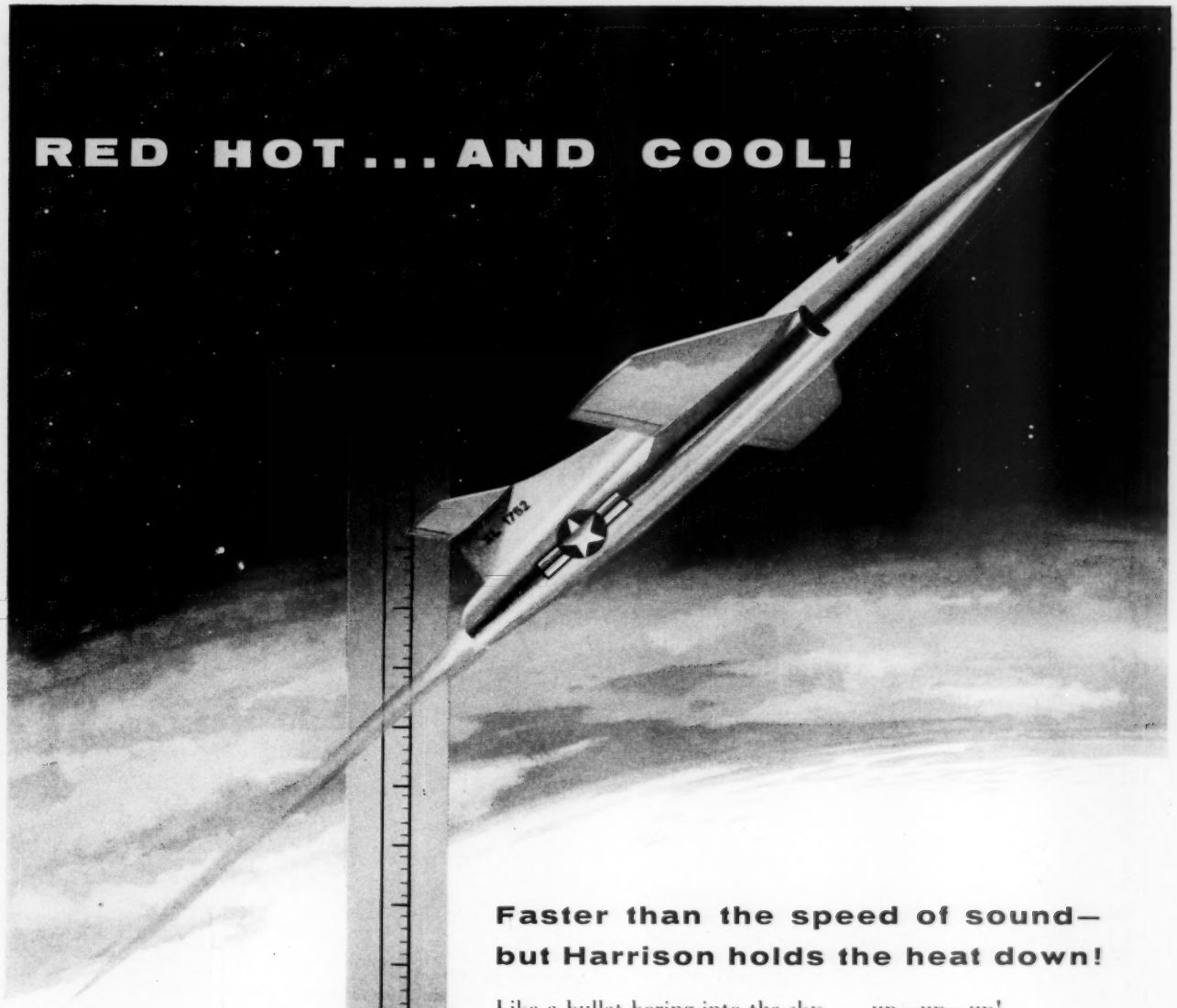
SURVIVAL TRAINING: MEALTIME
"We made a kind of stew"

Now if you've got 15 or 20 men complaining about the same thing, then you are going to take action—so they have gradually improved the course through the criticisms that the students have given of the course.

Q How did your crew feel about the course when they had finished it?

A I don't think there was one of us who wasn't glad he had taken it. It gave you confidence and made you feel that at least you could fight back if you were unlucky enough to get shot down over enemy territory. Most of the crew enjoyed it, in fact, and no one did any suffering that I know of.

RED HOT... AND COOL!



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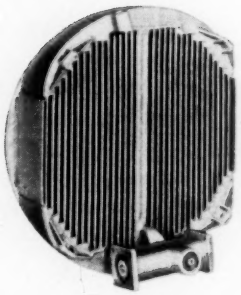

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accurate machining, indicates when to change cutting tools, measures and sorts parts, pin-points trouble instantly should it develop. Even testing is done electronically, with parts automatically inspected at frequent intervals and ejected from the line if out of tolerance.

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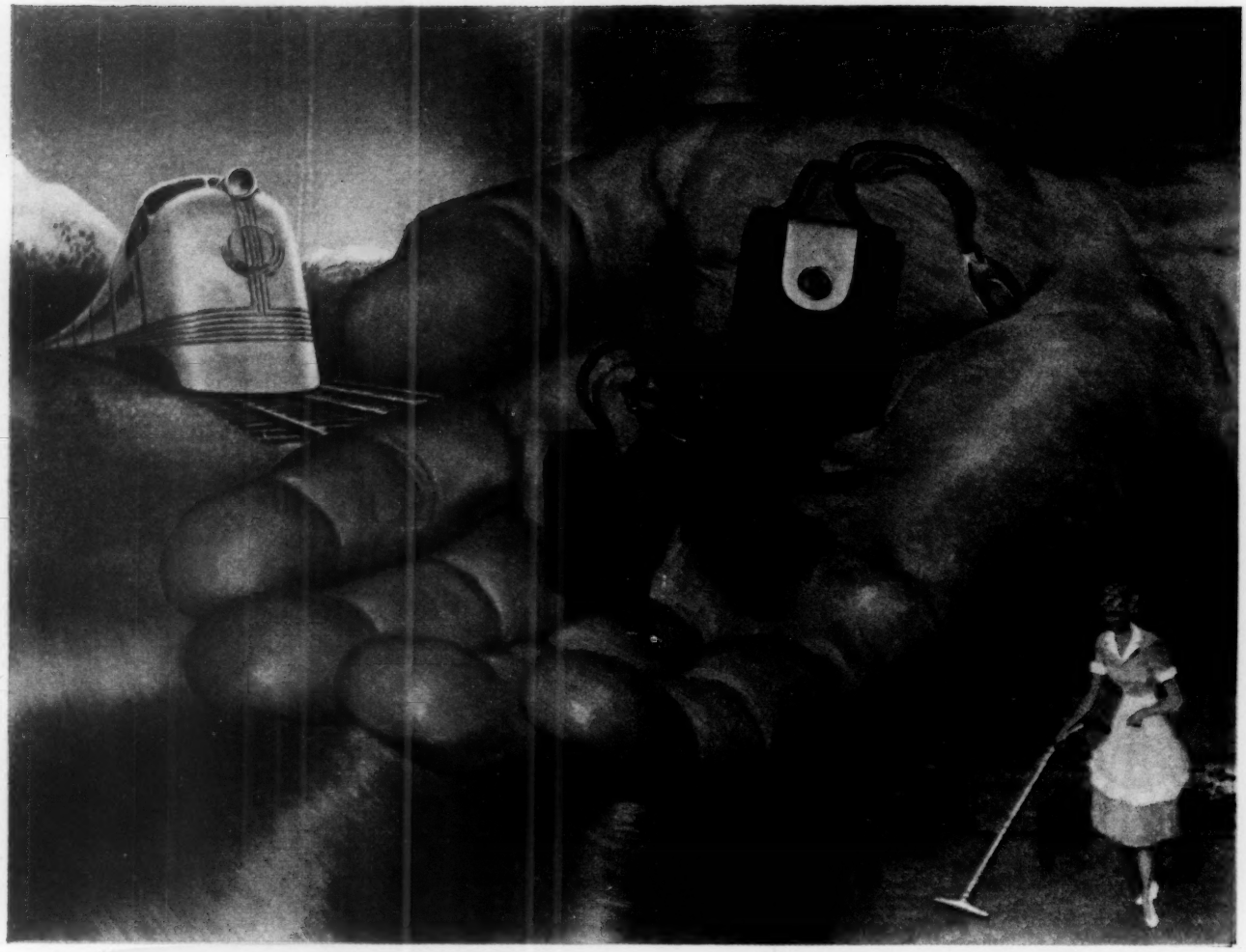

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Unsolved Problem of War—

400,000 BABIES LEFT BEHIND

Treaty Sought to Help Soldiers' Children All Over World

Illegitimate "war babies," growing up now, are one of the urgent, unsolved problems in Europe and Asia.

Caring for them is an increasing burden. They overflow orphanages. For many, there's a color problem, too.

Unwed mothers are real hardship cases. And the soldier-fathers are far away, often beyond the law's reach.

Reported from
BONN, PARIS, LONDON and TOKYO

Agitation is developing abroad to make all war veterans—including American GI's—financially responsible for the estimated 400,000 illegitimate children they left around the world during World War II and in the occupation years.

Cost of supporting these children has run into hundreds of millions of dollars. But the soldier-fathers are paying little of the cost. They have long since vanished from the scene and are back home in Russia, Germany, Japan, France, Britain, Canada and America.

One German lawyer estimates that U. S. servicemen owe more than 250 million dollars to abandoned wives and unwed mothers in West Germany alone. An organization in Munich is offering legal aid to any unwed mother who wants to go to court and press a claim against the soldier-father of her child.

Not only in Europe but in Asia, demand is growing for an international agreement so that an ex-serviceman can be brought into court in his homeland and forced to support a child he fathered abroad.

There is little likelihood that much will come of all this. But it is drawing attention to the plight of an army of illegitimate children left behind in the wake of war and military occupation.

Untold thousands. Nobody really knows how many such children have been born of combat or occupation troops since 1939. Estimates, at best unreliable, range as high as 300,000 in Western Europe and nearly 100,000 in the Far East.

In Western Europe, tens of thousands of illegitimate children were born not only of U. S., but of British, French, Canadian, German and Russian soldiers as armies fought and moved on.

American GI's left their offspring everywhere—especially in Britain, Germany and Japan. Several thousand abandoned children are of U. S. Negro parentage. In Britain, it is estimated that American white and Negro servicemen fathered a minimum of 25,000 illegitimate children there during World War II. U. S. personnel at British air bases are said to have fathered several hundred illegitimate babies annually in the last seven years.

The International Union for the Protection of Children estimates that U. S., British and French soldiers fathered 94,000 babies out of wedlock from 1946 to the end of 1951 in West Germany alone.

From Norway to Pacific. It is much the same story in other European countries. Austria has 6,000 children born out of wedlock of U. S., British, French or Russian fathers. In Italy, at least 10,000 such children are growing up. Belgium and Holland estimate that 50 per cent of their illegitimate births in 1945 and 1946 can be traced to American, British and Canadian soldiers.

German soldiers left behind 8,000 children in Norway and 5,500 in Denmark. During war years, 25 per cent of all illegitimate births in Belgium and Holland were caused by Nazi troops.

(Continued on page 54)

—Combine

ENGLISH ORPHANAGE: AN UNCERTAIN FUTURE
Everywhere the outcry grows that fathers be made to help

An announcement to Gentlemen

IF it is your Custom to enjoy a Scotch with both AGE & nobility, be advised that our House imports 20-year-old Martin's Fine & Rare and 12-year-old Martin's De Luxe. To be found at private clubs, fine publick taverns, spirit shops, hostelries, etc. Put some aside today.

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New York, N. Y., importers thereof

Blended Scotch Whiskies

20 years old
86.8 proof

12 years old
86.8 proof

[continued]

400,000 BABIES LEFT BEHIND

Asia has its share of illegitimate war babies, too. In Japan, one impartial estimate is that Allied soldiers—90 per cent of them American—left behind 11,000 mixed-blood children born out of wedlock. Japanese soldiers, themselves, are estimated to have produced as many as 75,000 illegitimate children in their march through Southeast Asia and the Pacific islands.

Marked children. In France, for instance, welfare experts are finding that children born of German soldier-fathers are suffering throughout adolescence from the double stigma of illegitimate birth and German parentage. "Feeling runs high in the villages of France against anything connected with the Germans," one French official says.

American Negroes fathered an estimated 10,000 illegitimate children in Western Europe. These children are having even bigger problems as they grow up.

Negro fathers, on the whole, are found more willing than white GI's to support their offspring abroad. But officials say that mothers of mixed-blood children often have a harder time of it than others do. Often they cannot marry because of their dark-skinned children.

Mothers' plight. As a result, many mothers of mixed-blood children still are single, getting along as best they can at some job—usually unskilled—leaving the children with grandparents or placing them in institutions.

Around the world, however, it is the problem of financial support—more than social barriers—that is causing concern about the large number of war babies born out of wedlock.

Few soldiers of any nationality are found willing to help support children they left behind. Complaints are loudest about the failure of American GI's to pay up—but the same complaints are being made against German, Japanese and other soldiers.

For many mothers, the problem is that of establishing a soldier's paternity. During the war, with millions of soldiers ranging back and forth, children were born in Europe and Asia as the result of very brief encounters.

—Combine

IN JAPAN: THE FATHERS HAVE GONE BACK HOME
U. S. offers free return flights for men who want to marry

Laws without teeth. In Britain, U. S. soldiers could not be tried in civil courts on paternity or any other charges during World War II. The same thing was true of American troops during the occupation of Germany and Japan.

That immunity to prosecution, now, is a thing of the past. Civil courts in those countries can order a foreign soldier to help support his child.

In practice, however, mothers are finding it almost as difficult as it was before to get money out of a GI father. American military regulations prevent U. S. commanding officers from making payroll deductions for a serviceman's dependents without his consent.

American armed forces now offer to fly any GI to Japan from any part of the world, free of charge, if he wants to marry a Japanese woman he left behind in that

(Continued on page 56)

Taking the "dew" out of mildew

Aerial fungi, which sprout into destructive and discoloring mildew, thrive under conditions of high humidity. Each year, the damage to stored leather, paper, wool and even plastics in the United States alone is over one hundred million dollars.

In small confines, such as basements and closets, excessive moisture can be "wrung out" of the air through the use of calcium chloride, which has an amazing affinity for water. It is capable of absorbing several times its weight in water. In effect, it takes the "dew" out of mildew.

This ability to absorb moisture from the air explains calcium chloride's value in laying dust on driveways, playgrounds and secondary roads. But these are only the beginning of this chemical's unusual uses.

For example, calcium chloride is widely used for melting ice and snow from streets and highways. Its solutions make an excellent brine medium for commercial refrigeration, especially where a low freezing point is needed. Obviously, this same property makes it useful as a freezeproofing agent for coal and ores. Calcium chloride's versatility is further demonstrated by its use as a concrete curing agent.

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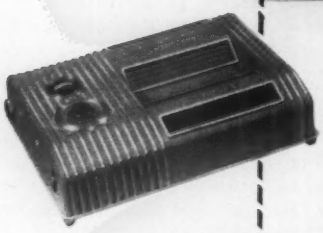

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[continued] **LEFT BEHIND— 400,000 BABIES**

country. About 100 American servicemen have taken advantage of that offer. Everywhere, there has been a relaxation of military regulations that once made it almost impossible for a GI to marry while overseas.

These steps, military officials say, are helping to reduce the number of illegitimate births involving American servicemen abroad. In some cases, GI marriages in Japan and Germany are legitimizing children born out of wedlock in past years.

Moral pressure. What U. S. commanders are trying to do, in many cases, is to bring moral persuasion to bear against a GI father to provide for his offspring. But that is as far as anyone can go, under present regulations, to bring payment of child support. More often, the American serviceman facing paternity charges is shipped home, away from his troubles.

Even less is being done to force paternity payments from soldier-fathers who have long since returned to their homelands. Few mothers can afford the expense of taking legal action against an ex-soldier in the courts of his own country.

West German authorities now are trying to break the ice on this problem.

An organization called the "Alliance of Mothers of Illegitimate Occupation Children" is giving legal advice to mothers seeking back alimony or child-support payments from foreign soldiers. Legal experts also are looking into the possibility that West German diplomats in the U. S. may be able to enlist legal aid from American authorities in prosecuting child-support orders issued by German courts against former GI's.

An international treaty? As matters now stand, however, few officials anywhere see much chance of getting the vast majority of soldier-fathers scattered around the world to support their abandoned children.

Lawyers and others who are studying this problem say that the only real solution is an international treaty that would require each country to carry out child-support orders issued abroad against an ex-serviceman of its armed forces. That treaty, for instance, would enable a Japanese or German court to get the help of U. S. courts in pressing claims against soldier-fathers now living in America.

Legal students, however, admit that such a treaty is unlikely in the immediate future—if at all. And they see little else that can be done to help the army of illegitimate children now growing up in Europe and Asia without the support of their foreign soldier-fathers.

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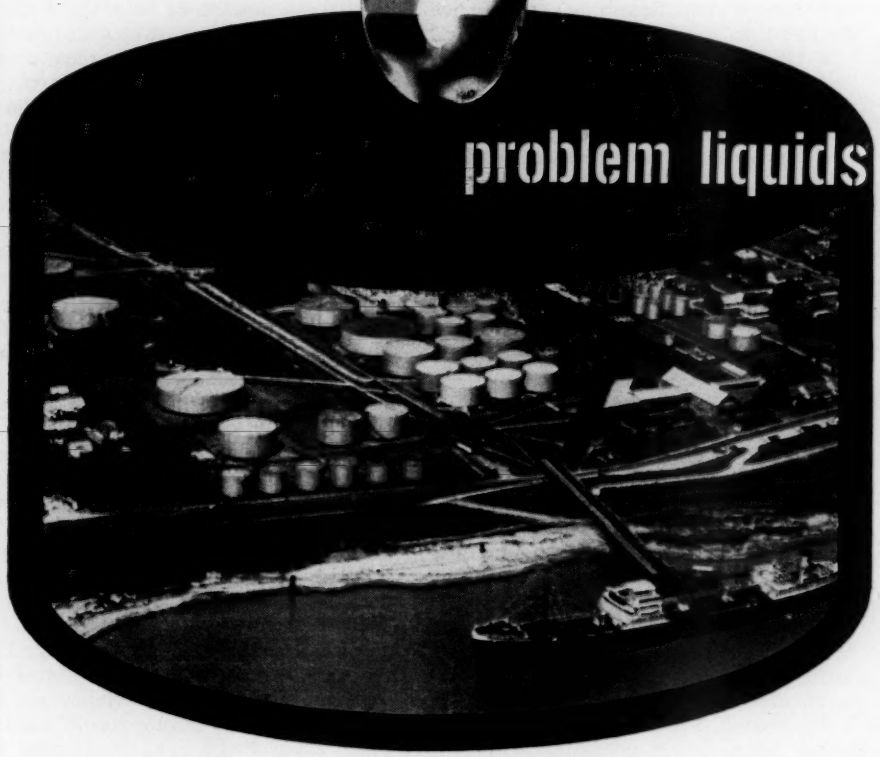

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Republicans' Uphill Fight for Senate

They Must Hold Seats They Have, Win Two More

Hard facts face Republicans as they count their chances of capturing the Senate in 1956.

They have twice as many Senate seats in danger as do the Democrats. The reason: Democrats hold the Solid South and the Border States; Republicans have fewer "safe" States.

This builds up the pressure on Ike to lead the ticket again.

Even with President Eisenhower at the head of the ticket, Republicans are expecting plenty of trouble in their efforts to regain control of the Senate in the elections next year.

When Republicans look at the Senate races in prospect for 1956, they find that—based on past results—they have twice as many Senators in danger zones as do the Democrats and only about half as many Senators who may be regarded as safe.

As it stands, highly placed Republicans fear that the President may wind up with a Republican-controlled House and a Democratic-controlled Senate after the 1956 elections. They figure that an Eisenhower tide may carry a Republican House with the President. But Senate elections swing less easily.

These are the facts that prompted a series of planning sessions, just held, by Republican State chairmen. They help to account for the persistent pressure upon the President to take a second nomination. There is a hope among Republicans that Mr. Eisenhower may be able to turn the trick and get the Senate as well as the House.

Geography lies at the bottom of the Republican problem. A great many of the Democrats whose Senate terms are expiring in 1957 are from the Solid South where Republicans have no chance of winning. Others are from Border States with a tradition of voting Democratic. Republicans have few such States.

Here is the situation at a glance:

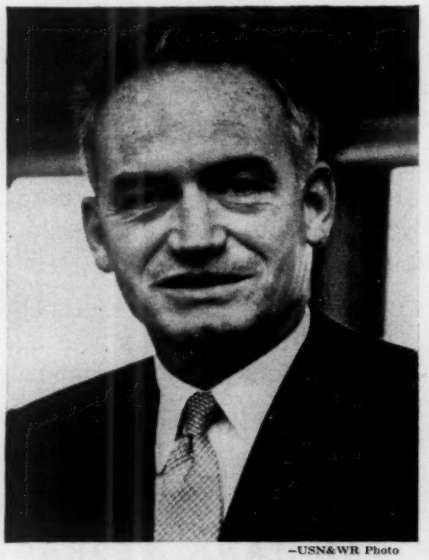
- The present division of Senate seats is 47 Republicans, 49 Democrats.
- To win control of the next Senate, Republicans need to hold the seats they now have and win two seats.
- Of the 32 seats at stake in the 1956 elections, 17 are held by Republicans, 15 by Democrats. The Democrats include Senator Wayne Morse, of Oregon, who was elected in 1950 as a Republican but plans to run in 1956 as a Democrat.
- Among the Republican seats, five are listed as "safe" and 12 as "in danger."
- Of the Democrats, nine are listed as "safe" and six as "in danger."

The seats regarded as "safe" are those won by majorities of 60 per cent or more of the votes in the last elections in which the Senators ran. The one exception in this group is Senator Alan Bible (Dem.), of Nevada, who got 58.1 per cent of the vote. Seats termed "in danger" are those won by majorities of less than 55 per cent.

Republicans who analyze the facts that lie back of the statistics figure that their best chances of picking up two seats lie in Oregon and in New York. Their hopes also run high for carrying Kentucky in 1956. Oklahoma, Washington and Missouri, which also are listed as "marginal" or "danger" areas for the Democrats, are less likely targets for the Republicans.

Greatest "danger" zones for Republicans are Ohio, Connecticut, Indiana, Illinois and Pennsylvania. Strong battles always run through Utah, Maryland, Iowa, California, Colorado and Wisconsin. Kansas is described as in little, if any, danger, although won by a small margin in 1950.

In general, this is the picture that is being put before Republicans across the country by Senator Barry Goldwater, of Arizona, chairman of the Republican Senatorial Campaign Committee.



—USN&WR Photo

SENATOR BARRY GOLDWATER
. . . charting strategy for '56

New York, always a key State in Presidential elections, is to be a top Republican target. Republican strategists rate their chances as good here. They have a popular potential candidate in Jacob K. Javits, who managed to beat Franklin D. Roosevelt, Jr., for Attorney General at a time when the Democrats were electing Averell Harriman as Governor.

The Democratic candidate in New York is Senator Herbert H. Lehman, who will be 78 at the time of the campaign. Mr. Lehman is rounding out a long career as manufacturer, banker, four times Governor of the State, and U. S. Senator. Up to this time he has been unbeatable in New York elections. In 1956, however, age may be a factor, along with the vote-getting power of Mr. Eisenhower.

A proven vote getter, Republican Governor Paul Patterson, is preparing to run in Oregon against Senator Morse, who already is out campaigning. Mr. Patterson got a good majority of the vote in 1954, when he took over the State for the Republicans.

Oregon has a long tradition of Republicanism. All through the New Deal years, it sent an unbroken string of Republican Senators to Washington. The first break in this voting record came in 1954 when Richard L. Neuberger was elected by a paper-thin majority.

When Mr. Morse ran as a Republican in 1950, he got 75 per cent of the vote. In 1956, running as a Democrat, his situation will be greatly changed.

In Kentucky, Republicans get their best chances to win when the Democrats come to blows among themselves. At this stage, Kentucky Democrats are divided in a factional struggle that promises to reach over into next year's Senatorial campaign. It is a feud between A. B. (Happy) Chandler and Senator Earle C. Clements. Mr. Chandler is making a political comeback in a race for Governor this year. Mr. Clements is up for Senator again next year.

It is this division that feeds Republican hopes for picking up a Senate seat in Kentucky. They now are looking over the field for a good candidate. They might bring former Senator John Sherman Cooper back into the field.

Prime target areas for Republicans, thus, are in these three States. If they can pick up two of these three seats

Where Big Senate Battles of 1956 Will Be Fought

To Win Control of the Senate, Republicans Must—

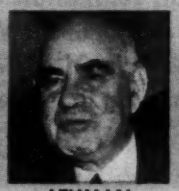
1. Take 2 Seats From the Democrats . . . And These 6 Democrats Are CONSIDERED MOST VULNERABLE—
(all elected last time with less than 55% of the votes cast except Morse, who was elected as a Republican)

CLEMENTS (Kentucky)

HENNINGS (Missouri)

MONRONEY (Oklahoma)

MAGNUSON (Washington)


LEHMAN (New York)

MORSE (Oregon)

2. They Must Also Re-Elect 17 Republican Senators . . . Including These 12 Elected Last Time With Less Than 55% of the Votes Cast—

BENDER (Ohio)

BENNETT (Utah)

BUTLER (Maryland)

DIRKSEN (Illinois)

HICKENLOOPER (Iowa)

MILLIKIN (Colorado)

CARLSON (Kansas)

BUSH (Connecticut)

CAPEHART (Indiana)

DUFF (Pennsylvania)

KUCHEL (California)

WILEY (Wisconsin)

Photos: USN&WR, Black Star, Harris & Ewing, United Press, Wide World

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in New York, Oregon and Kentucky, they can take over the Senate. But at the same time, they must guard carefully their own danger zones. At least half of their 12 marginal seats could give trouble.

Senator George H. Bender (Rep.), of Ohio, won election in 1954 by only 50.1 per cent of the vote. The State has a Democratic Governor, and a shift in the farm counties can turn an election.

Connecticut, where Republican Senator Prescott Bush is up, usually swings with the election tides. A big vote for Mr. Eisenhower could return Mr. Bush. But the State elected a Democratic Governor in 1954.

Democrats claim to be gaining ground in Maryland, where Senator John M. Butler is running.

Senator Homer E. Capehart is involved in a Republican factional struggle in Indiana. The Republican Governor has taken over the State organization and some of the bitterness from this battle could help the Democrats.

In Illinois, where Republican Senator Everett M. Dirksen is running, Democrats elected a Senator in the most recent State-wide election. They have bolstered their organization in Chicago, and there has been some talk that Adlai E. Stevenson might turn from the presidential contest to run for the Senate.

And, in Pennsylvania, Republican Senator James H. Duff faces a Democratic Party that now holds the Governorship. The Republican Party there is divided. There are several potential Democratic candidates, including the present mayor of Philadelphia, Joseph S. Clark, Jr.

A road block for Republican chances of taking over the Senate could emerge from any of these six races, even if the Republicans managed to pick up two Democratic seats elsewhere. That is why the Republicans are calling conferences, studying election techniques, getting money and putting their campaign organization into shape well before the campaign starts.

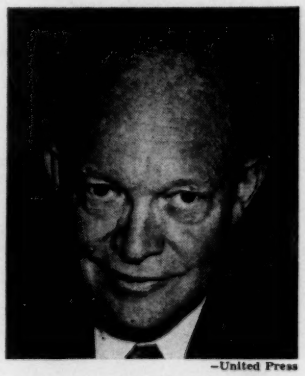
The Eisenhower name could sweep in enough Republicans to give them control of the House. But the Senate is quite another proposition. Democrats have so many seats that are out of Republican reach that the margins must be figured closely.

President Eisenhower gives Republican State chairmen some advice about winning elections—page 114.

THE MEN ... Ike's Friends **THE NEWS ... Personal Only**

Golf, Bridge and Food —But Little "Shop Talk"

To Ike, relaxation means having old personal friends about him. Who they are, how he entertains them on a long week end of golf and bridge, who picks up the check—it's all told below.



—United Press

DENVER

WHEN President Eisenhower really wants to relax, he invites a group of old and comfortable friends to join him for a Dutch-treat week end of golf, bridge, good food and congenial conversation.

Distance is no barrier. The President may be in Denver, in Augusta, Ga., or in Gettysburg, but his intimates scattered the country over are always ready, sometimes waiting, to drop everything and catch the next train or airplane.

Some are invited over and over again. There is a tightly knit group of presidential-playtime companions, usually associated with the Augusta National Golf Club, where the President plays in cooler weather. There also is a broader list of those who are asked occasionally.

The President's friends come for play—not to discuss Government or politics. None of them would think of mentioning official business, unless the President brings up the subject himself as he sometimes, but rarely, does.

There was such a party last week end and another two weeks earlier. The two events served to focus attention on just who the President's close friends are, to whom he turns when he wants relaxation.

Presidential circle. Successful businessmen make up the list, for the most part. Their ages range from the mid-40s to the mid-60s, with a concentration in the latter 50s. To these are added a few old Army comrades and former golfing champions.

Cabinet members, other Government officials are usually excluded. When the President plays, he obviously wants to go clear outside the group he sees officially from day to day. And some political critics have noted that the lists, as published, include no farmers or labor leaders.

The men who are invited have a common denominator in a liking for the out-of-doors, golf, fishing and bridge. And the President finds their company soothing. As for who may be his closest friends, three men were invited to both the recent parties.

Clifford Roberts was one of these. Mr. Roberts, a New York investment banker, and the President are particularly close, see each other frequently, without regard to week-end parties. The banker reportedly handles Mr. Eisenhower's investments. He also is chairman of the Augusta National Golf Club.

The others who were invited twice were W. Alton Jones, board chairman of the Cities Service Company, and Ellis D. Slater, president of Frankfort Distillers. George E. Allen, businessman and man about Washington through several Administrations, was invited to the second party but—an exception to the usual—found it impossible to accept.

Nevertheless, the guest list was considered typical, with such men as Albert Bradley, of New York, a General Motors executive; Gen. Lucius D. Clay, once deputy to General Eisenhower, now board chairman of Continental Can Company; John Chiles and T. Richard Garlington, Atlanta real estate men; Jay Gould, executive vice president of Frankfort Distillers; Amory Houghton, board chairman of the Corning Glass Works; Lewis B. Maytag, retired businessman, of Colorado Springs, Colo.; Frank A. Willard, New York investment banker, and Leonard K. Firestone, of the Firestone Tire and Rubber Company.

To add spice to the golfing, the group also included two former champions: Francis Ouimet, 1913 U. S. Open champion, and Charles R. Yates, Atlanta textile man who once won the British Amateur tournament.

Other companions. The recent guest list, however, by no means tells the extent of Mr. Eisenhower's roster of those who are friends for sociability's sake. On the golf course and off, the year around, for example, the President sees a good bit of William E. Robinson and sometimes discusses official business with him. Mr. Robinson, formerly executive vice president of the New York *Herald Tribune* and now president of the Coca-Cola Company, is a member of the Augusta National Golf Club.

Old Army colleagues with whom he plays bridge or fishes include

—United Press

MR. EISENHOWER AND GEN. LUCIUS D. CLAY
. . . Among favored friends: old Army comrades

Gen. Walter Bedell Smith, postwar Ambassador to the U.S.S.R., who served in his Administration as Under Secretary of State and still is consulted on matters pertaining to Russia. Gen. Alfred M. Gruenther, Supreme Allied Commander Europe, is a bridge expert and one of the few Eisenhower friends who lives at the White House while in Washington.

In Colorado, Mr. Eisenhower has a special group of close associates whom he sees from time to time during his vacation. Outstanding among them is Aksel Nielsen, a Denver businessman who is part owner of a ranch in the high Rockies where the President goes often to fish.

The Colorado group also includes former Governor Dan Thornton, who was active in the 1952 Eisenhower campaign; Bal F. Swan, who owns a Hereford ranch near Denver where Ike also fishes; Palmer Hoyt, publisher of the *Denver Post*; John Culbreath, a Denver insurance executive; Fred Manning, Jr., an oilman, and Ralph R. (Rip) Arnold, golf professional at Denver's Cherry Hills Country Club.

Dutch treat. Those who are invited to the Denver week-end parties have a great time and pay their own way.

In Denver, the President can entertain as lavishly as in Washington. The Cherry Hills Country Club is one center of activity and the Brown Palace Hotel, famous for its food and its old-fashioned elegance, is another.

The President goes early to his office at Lowry Air Force Base, gets his work done and then drives to the country club. The day is devoted to golf, with, occasionally, bridge in the afternoon. Mr. Eisenhower tries to team up at one time or another with each of those who make up the party.

For golf, names are drawn out of a hat. The three men first drawn play the first nine holes with the President. Usually, Mr. Eisenhower shifts to a new foursome after each nine holes, until he has teed off with everyone. High stakes are not permitted, but often the losers pay the caddy fees.

After golf, the President returns to his home for a bit of rest and perhaps more work, and in the evening rejoins his friends for a gala evening in the presidential suite of the Brown Palace Hotel.

This suite, on the eighth floor, is famous for having been occupied by visiting royalty and virtually every President since Theodore Roosevelt. It has been redecorated to please the tastes of President and Mrs. Eisenhower. At Mr. Eisenhower's request, the living room was pine paneled. It is furnished with black-walnut antiques, and there are French prints and oils on the walls.

There also is a painting of George Washington—a copy done by Mr. Eisenhower, who likes to tell in some detail how he went about producing it. Last Christmas, friends received prints of this painting.

The evening sessions start about 7 o'clock. There is an hour of lively discussion, usually concerning golf and golf courses and shots made or dubbed during the day.

Dinner, at 8, usually is beef or trout. A favorite of Ike's is "sliced beef of tenderloin, President," very fine aged prime tenderloin served with a piquant mushroom sauce that is a specialty of the Brown Palace chef. Another favorite is Rocky Mountain trout in almond sauce.

Another well-liked dish is trout in aspic, served as an hors d'oeuvre. Often, members of the party bring choice wines and other delicacies. Otherwise the hotel serves everything, and at the appropriate time brings out the card tables. For the rest of the evening, bridge is a very serious thing.

As at the golf club, Mr. Eisenhower tries in the course of a week end to have each of his friends as his partner. The President concentrates closely on his

(Continued on page 62)

EIGHT WHO WERE ON THE EISENHOWER GUEST LIST

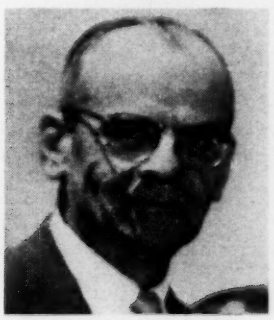
LEONARD K. FIRESTONE

CHARLES R. YATES

FRANCIS OUIMET

ALBERT BRADLEY

W. ALTON JONES



CLIFFORD ROBERTS

ELLIS D. SLATER

AMORY HOUGHTON

. . . President's golf partners mostly his friends for years

game, is inclined to chortle when he brings in a difficult contract. When he is "dummy" he often gets up and walks around, kibitzing other games.

The bridge games continue until after midnight, sometimes until past 1. There are no early-morning poker games, although the suite contains a round poker table having a cover of brown interwoven with gold stripes. But poker is out and the game is bridge, with sometimes a little gin rummy, a game the President has denounced as one played only by morons.

The "tab": how big? The President's guests pay for their own rooms at the Brown Palace. The cost of the evening sessions is totaled by the hotel and prorated. Mr. Eisenhower pays only his share. It was decided long ago that this should be the procedure. Usually the bill for the evening runs from $8 to $10 per person.

The President has known most of his golf-bridge coterie for eight to 10 years, although new names are constantly being added. He played golf with a number of them, including Mr Robinson, Mr. Slater and Mr. Roberts, at the Blind Brook course while he was president of Columbia University.

General Clay suggested that Mr. Eisenhower would enjoy the Augusta course. Mr. Eisenhower tried it, liked it and became a member, now goes there for winter vacations. This resulted in the development of what is known about the White House as "the Augusta crowd." Its members telephone the President when they like, their mail gets special routing at the White House, and when they are in Washington, Secret Service men and White House police let them come and go much as they please.

The President, of course, makes new friends all the time. One of his golfing group will suggest a friend whom he thinks the President might like. The candidate may first be invited to one of Mr. Eisenhower's stag dinners. If he passes that test, he may be included in a foursome at Burning Tree Club in Washington and finally become a part of the circle.

In this way, the President has built up a large group of congenial associates to whom he turns for companionship. It's rather different than in President Truman's day. The latter had his set of friends and evenings of poker, but his associates were largely men in the Government, and conversation seldom got far away from politics. Mr. Eisenhower relaxes by calling in friends who talk about other things.

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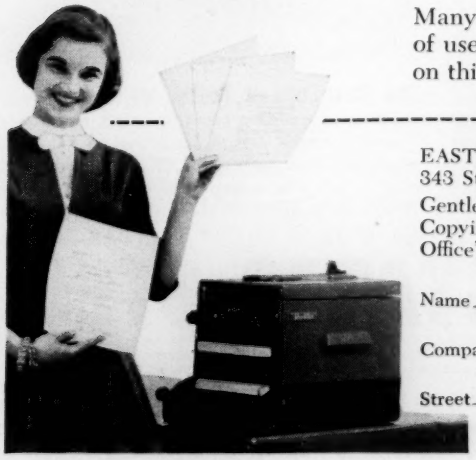

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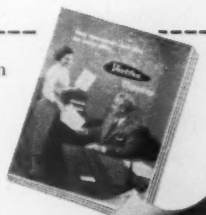

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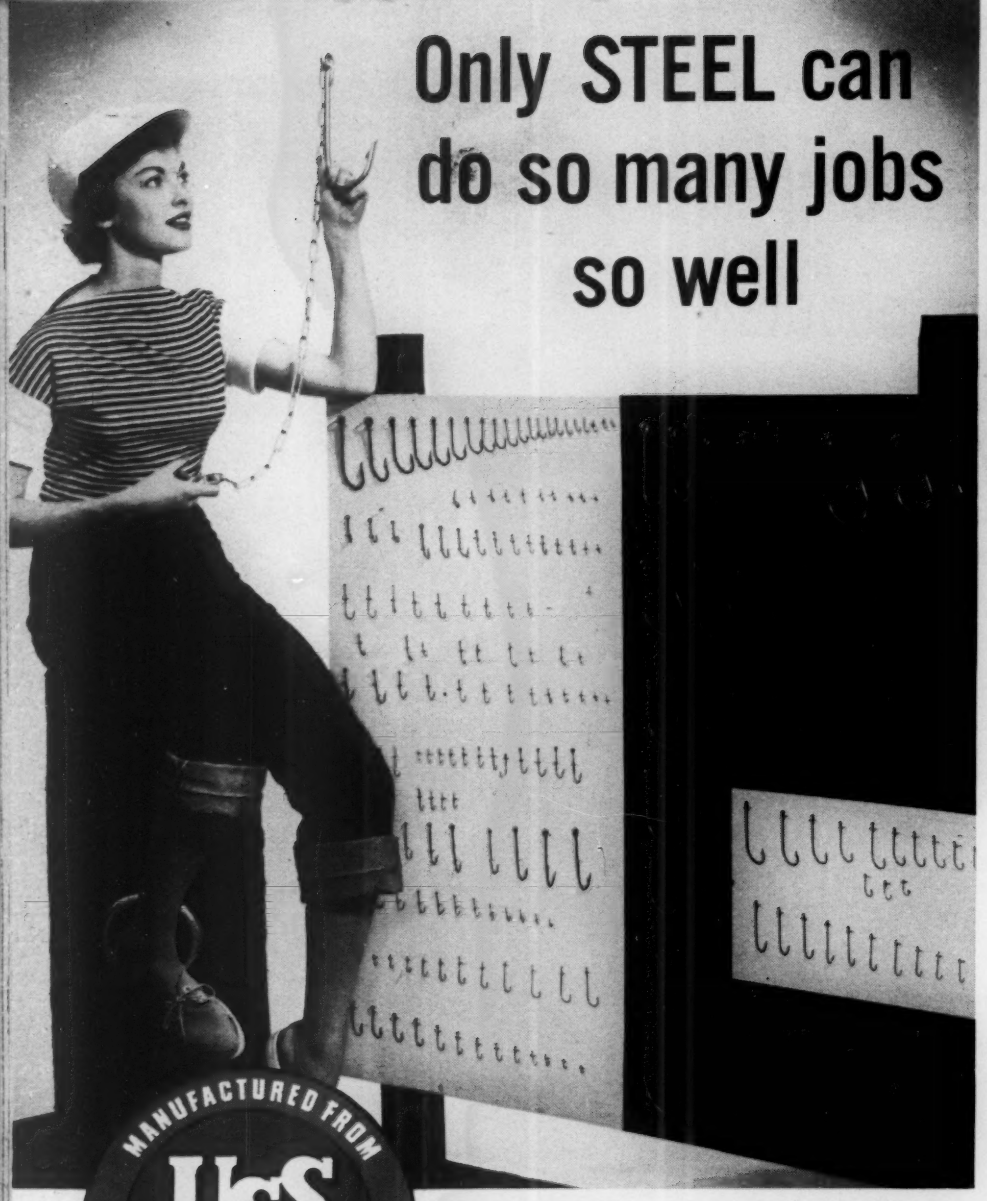

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It's No Fish Story. More than 1000 pounds of steel are used every day, just to make fish hooks. Those giant hooks in the picture are used to catch tuna, marlin or albacore. About 3000 of the small No. 6 trout hooks can be made from a single pound of steel.

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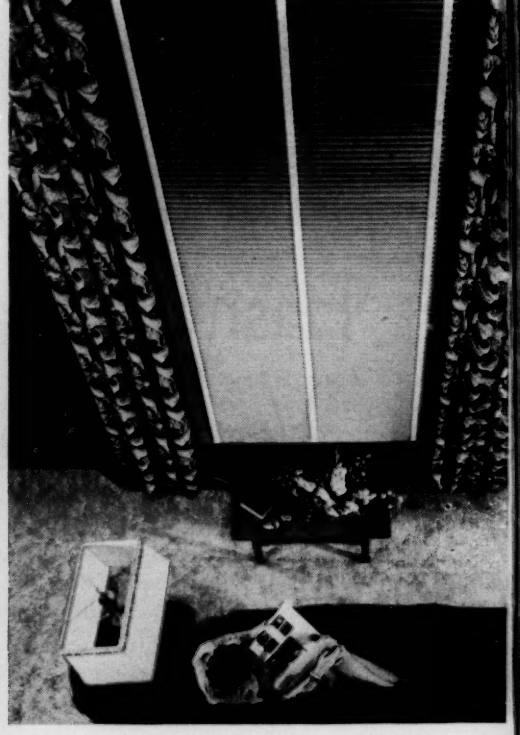
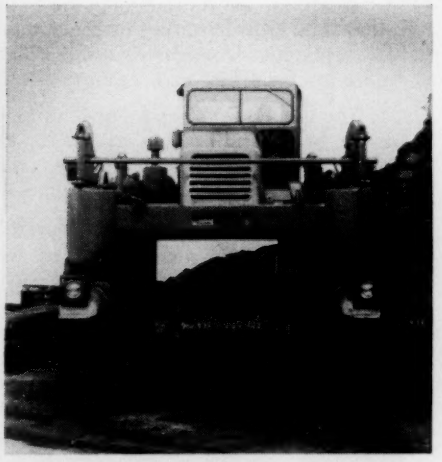


Like Flicking A Light Switch. Want fingertip control of light and air in your home or office? You get this with venetian blinds made of steel. And steel venetian blinds are made in just about any size you will ever need—like the whopper shown here. In addition to their trim beauty, steel slats give privacy and protect rugs, draperies and furniture from sun damage. Steel slats are flexible and tough, easy to clean, and they will not crack or warp.



The Bow-Legged Truck. This unusual machine is called a straddle truck, because it literally stands over a load (up to 25 tons), hoists it, then rolls away. The truck can roll over a full-size automobile without touching it. It uses many USS steel plates and bars.

Bridge-Builder's Paradise is the recently completed West Virginia Turnpike. Its 88-mile length required 76 bridges, built from 23,500 tons of steel. The Bender Bridge, shown here, is 278 feet high, making it one of the tallest bridges east of the Mississippi. United States Steel supplied the steel and built this fine bridge.

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See The United States Steel Hour. It's a full-hour TV program presented every other week by United States Steel. Consult your local newspaper for time and station.

For further information on any product mentioned in this advertisement, write United States Steel, 525 William Penn Place, Pittsburgh, Pa.

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Worldgram®

FROM THE CAPITALS OF THE WORLD

BONN....TOKYO....HONG KONG....

>> Don't be misled by all the sweetness and light over the new contacts between Soviet Russia and Germany. Behind the public expressions of pleasure by top officials in the West, there is deep concern. Here's why:

>> Chancellor Konrad Adenauer of West Germany had few items to bargain away in the Moscow talks. Chief among them was the Soviet proposal for full diplomatic relations with Germany. This the Russians wanted--badly.

West Germany is busy, prosperous, booming, recapturing markets the world over. West Germany is sovereign, freely allied with the West, free to rearm.

East Germany is a flop. Millions have walked west. Communism in East Germany doesn't work. Communist stooges aren't popular. The Kremlin knows it.

So Adenauer, a man called a "warmonger" by Communists, became their honored guest in Moscow. The Soviet line: If you can't lick 'em, make a deal.

>> What West Germans want, most of all, is a united Germany. Adenauer, when talks began, said he would accept full diplomatic relations only if some progress were made toward putting the two Germanys together. The West approved.

Soviet leaders balked. They want no united Germany in which East Germans might find freedom. But they continued to talk, haggle, bargain, persuade.

At the eleventh hour, suddenly, Adenauer made a big concession. He agreed to full diplomatic relations. What he got was a verbal promise by the Russians to release "thousands" of German prisoners. On a united Germany--nothing.

>> Adenauer, now known as a friend of the West, is 79. If he had to surrender his "ace" bargaining point just to get some German prisoners back, what price may some new German leader be forced to pay Russia for a united nation?

That's the question asked privately by Western leaders. They're worried.

>> The returning prisoners, of course, will be welcomed home in West Germany. All have been held for more than 10 years. How many will return? That's vague.

10,000? Officially, that's all the Russians admit that they hold. Soviet Premier Bulganin himself said "only 9,626 war criminals" are held in the Soviet Union. Other prisoners? He never heard of them, he said.

100,000? That's the number the Germans claim are still in Russia. "Well," said Bulganin in effect, "give us the names and we'll see if we find them."

18 million? That is the population of East Germany, held under a Soviet-supported Communist Government. Now that Moscow has established friendly relations with West Germany, East Germans see little chance of freedom soon.

Adenauer, the West fears, gave away his high card in a poor bargain.

(over)

>> The Japanese can tell Adenauer--and the U.S. too--what to expect when Communists start bargaining in human bodies, offering hostages for concessions.

Japan's experience starts in December, 1952. Red China then announced officially that only 30,000 Japanese war prisoners still were held. In the next year they returned 26,000 to Japan. That left about 4,000.

But no. Chinese Reds, visiting Japan, announced they still held 8,000 Japanese prisoners. Now Japan is asked to make new concessions to get them.

Red China now tells the U.S. that the last American war prisoners are to be released. But the Japanese would not be surprised to learn that the Chinese Reds have "discovered" more American prisoners. It's a Communist custom.

>> Balloons, big ones and little ones, worry the Soviet Union. Foreign Minister V. M. Molotov says they're a "danger to Soviet aircraft." The balloons he is talking about, apparently, are a danger to the Soviet system too.

Little balloons, inflated with gas and stuffed with anti-Red pamphlets, are too small to worry aircraft. But they fall down to people who read.

Big balloons, some of them six stories high, soar from 30,000 to 75,000 feet before they start scattering leaflets. That's too high for Soviet airliners.

Both kinds are launched by the "Crusade for Freedom," financed by Americans, from bases in West Germany. The winds blow them southeast toward the Black Sea. So far they have showered 211 million leaflets over the Soviet empire.

Now Molotov wants them stopped. Soviet radio stations can jam the radio broadcasts from the free world. But they can't stop "the winds of freedom."

>> There is good news from the world's labor front. Communists, for a time, grabbed labor leadership the world over. Now the trend is changing.

In Italy, 2 million are unemployed, but those who work live better than ever. A free vote among workers at the Fiat plants in Turin, a Communist stronghold, cut Communist strength from 65 to 40 per cent of the total membership.

In France, Communist-led strikes have fizzled. French workers are dropping out of all unions. They are disgusted with strikes called for political purposes.

In Germany, the Federation of Labor, with 6 million members, has flatly refused a Soviet invitation to send a delegation to Russia. Their leaders said free trade unions did not intend to support Communist "captive" unions.

All over Europe, apparently, Communist labor leaders are losing their grip.

>> In Asia, Communists are spending a lot of money and time on labor unions.

Indonesia is the one free country where Communists dominate labor. Red leaders kept unions quiet under a Government allied with Reds. Now there's a new, anti-Communist Government. You can expect strikes there soon. But.....

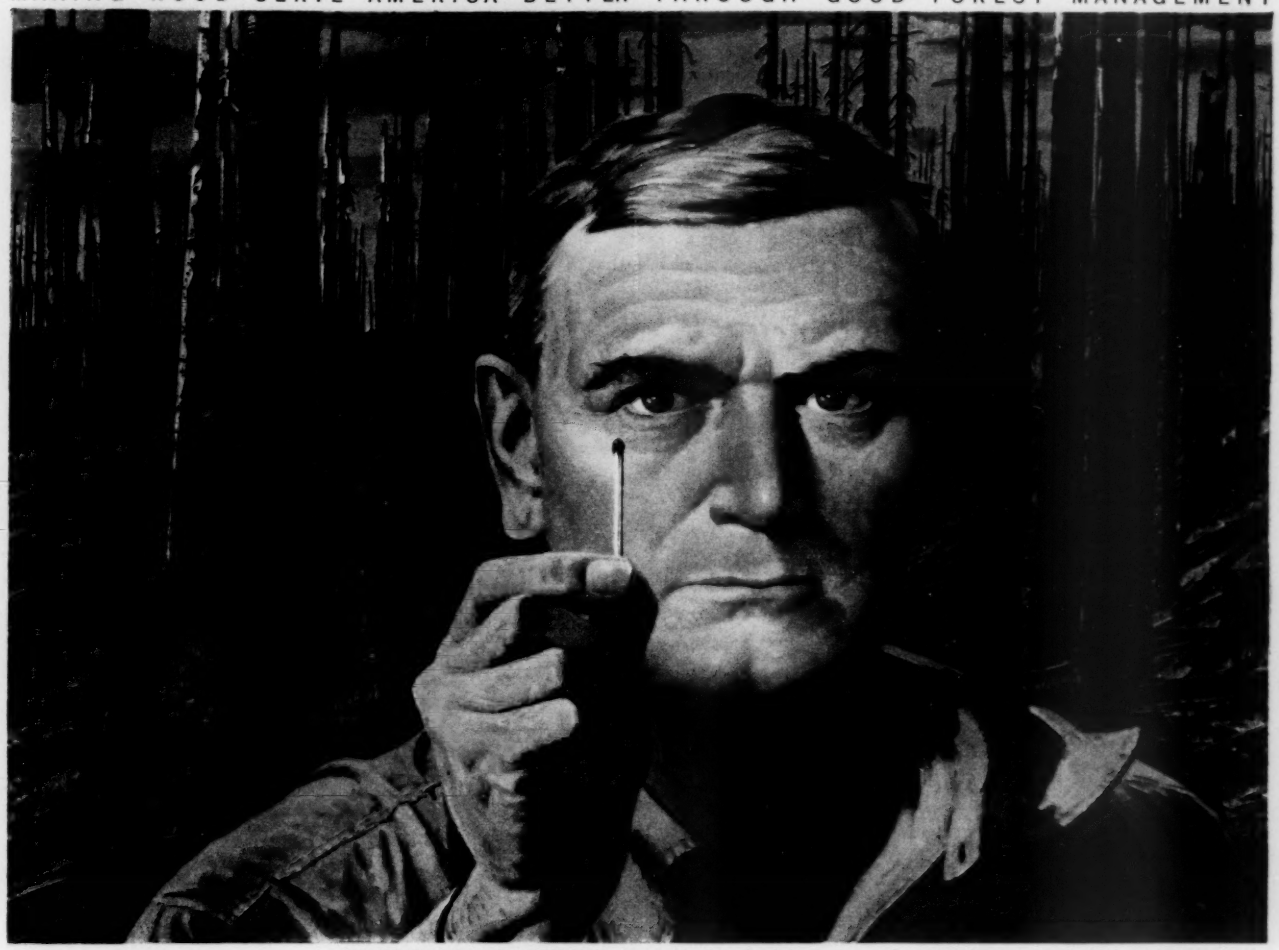
In Japan, which has 6 million organized workers, the biggest union has just ousted a pro-Communist leader, replacing him with an anti-Communist.

Workers of the world show no signs of uniting under Communism.

>> In Cambodia, one of three states in non-Communist Indo-China, Norodom Sihanouk, 32, quit as King and entered politics. His party won in free elections.

The man who could be King again doesn't want the job. He doesn't want to be Premier either. Instead, working behind the scenes, he hopes to make Cambodia an anti-Communist stronghold. His rich little country, he says, needs U.S. advice more than U.S. cash. For U.S. officials, that's refreshing news.

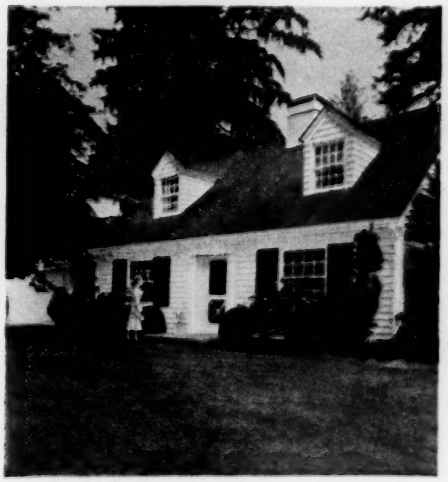
MAKING WOOD SERVE AMERICA BETTER THROUGH GOOD FOREST MANAGEMENT



EDWARD TYSON ALLEN (1875-1941), forestry leader who helped pioneer fire protection practices and laws which now safeguard America's timberlands. First California state forester, he later was the first federal district forester for Oregon and Washington. In 1909, as head of Western Forestry and Conservation Association, he began the drive for cooperative fire protection.

"forest fire prevention is everybody's business..."

Protected against fire from seedling to maturity, planned timber crops on tree farms can always supply wood for lumber, paper, rayon and other useful products.



In some of his early talks, E. T. Allen often told lumbermen and foresters, "forest fire prevention is *everybody's* business and without fire protection it is *impossible* to grow new tree crops." By constant education and persuasion, he gradually drove home this forest management concept across the nation. As a result, he is generally credited with bringing about the voluntary cooperation among industry, state and federal forest agencies, and the public that has led to a sharp reduction in fire losses.

The effectiveness of modern fire prevention and protection practices has made it practical for about 6,600 private owners to manage more than 35 million acres of commercial forestland for permanent wood production. Growing and harvesting timber as a crop under long-range plans, these tree farmers are protecting present and future wood supplies with a vast network of privately built fire access roads and radio communication systems...in addition to constant fire patrols.

All Weyerhaeuser Timber Company forestlands are managed as certified tree farms, protected against fire, insects and disease. *Write us at Box A, Tacoma, Washington for a free booklet on modern forestry.*

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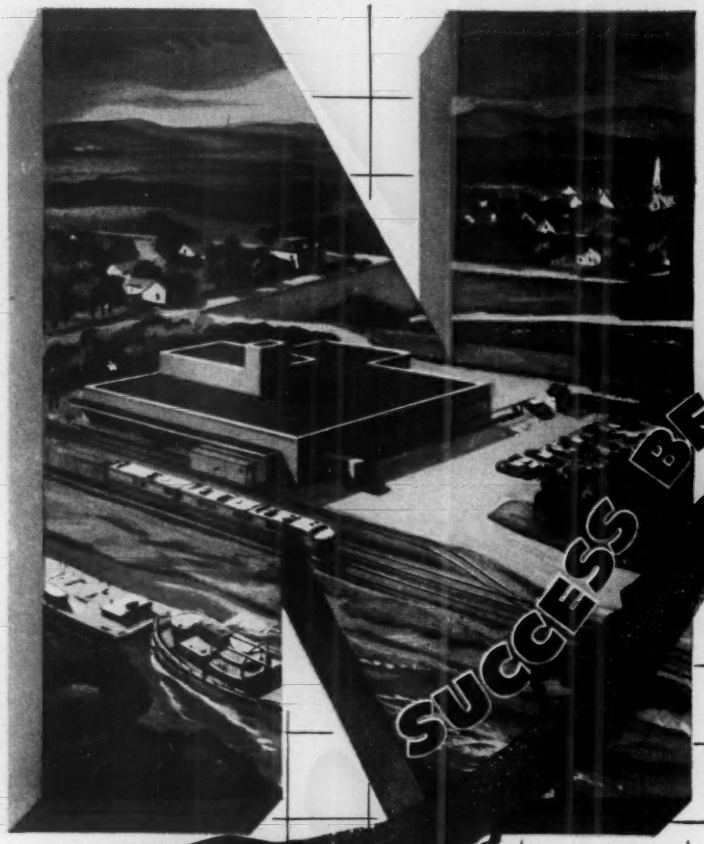

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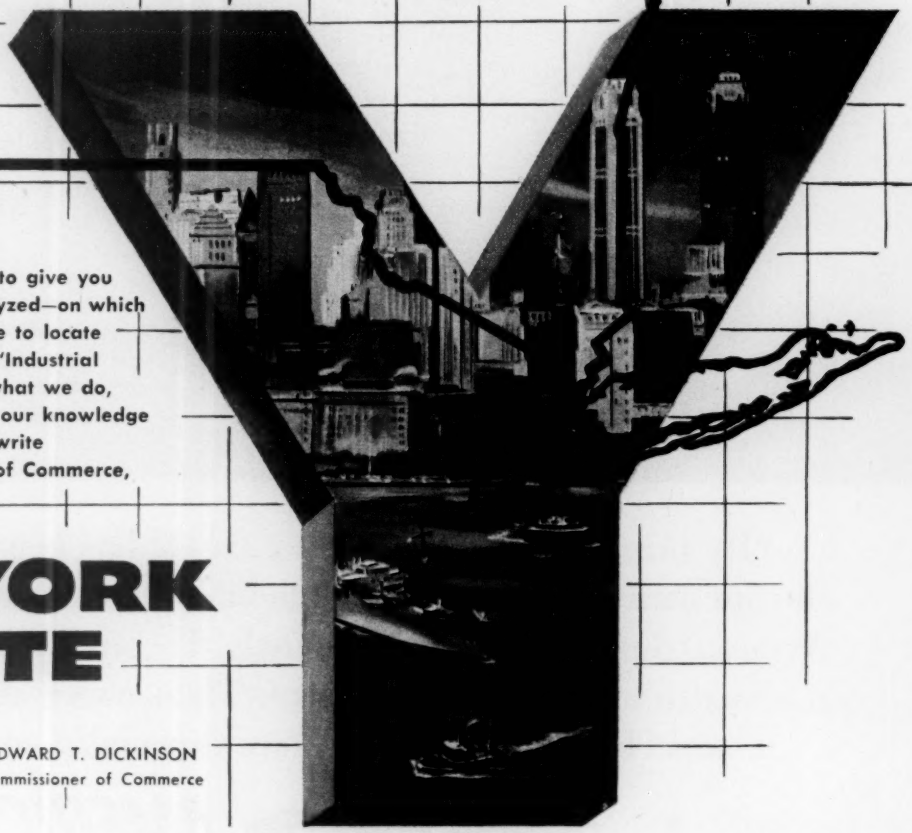

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LIFE AROUND THE WORLD®

memo

FROM KOREA

TAX FIRST, ASK LATER

SEOUL—The tax trouble American businessmen are having here makes it difficult to recall that only a few weeks ago Syngman Rhee, South Korea's President, was cordially inviting U. S. firms in Japan to move their headquarters to Seoul.

In Korea, Mr. Rhee implied, taxes were no problem at all for foreigners—and, by moving here, Americans in Japan could escape the Japanese income tax. In Japan, starting next year, most American civilians will have to pay an income tax running to 50 per cent or higher.

Now it is South Korea that is trying a tax squeeze on American businessmen. And the squeeze has set off an uproar that makes the complaints of Americans in Japan seem petty by comparison.

The Government here is demanding "back taxes" amounting to hundreds of thousands of dollars on the alleged business profits of about 60 American firms. If businessmen don't pay up, the Koreans threaten to detain them or expel them.

Cries of "foul." Americans in Korea, unlike their colleagues in Japan, are making a public fight of it—denouncing the Korean tax as "arbitrary" and "exorbitant." The U. S. Chamber of Commerce here urges America to withdraw further economic and military aid from Korea unless the Government backs down.

What South Korea is trying to enforce is a 1950 tax law on business profits. It does not mention foreign companies specifically. But, in the Korean view, international custom demands that tax laws must be obeyed by foreigners—no matter how loosely those laws are drawn up.

The Americans, on the other hand, are saying that Korean officials had led them to believe they did not have to pay taxes under the 1950 law.

One of the basic issues is: Just how much profits are these Americans making?

(Continued on page 72)

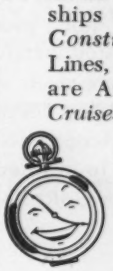
—United Press

SYNGMAN RHEE
. . . a squeeze followed an invitation

EUROPEAN BUSINESS

can be mixed with pleasure!

It's legitimate as the day is long . . . and the most blissfully relaxing and soul-restoring pleasure you could long for. It so happens that certain luxurious but surprisingly inexpensive *cruises* aboard two of the biggest and most modern ships on the Atlantic are *cruises to Europe!* The ships are the *Independence* and *Constitution* of American Export Lines, and the cruises (8 of them) are American Export's *Sunlane Cruises to the Mediterranean.*



Need more time in Europe than a cruise allows? Take the time you need and catch the *next* cruise back! *Sunlane Cruises* leave New York Oct. 5, 15 and 27, Nov. 8, 18, 30 and Dec. 10, each 20 days round trip. The weather? Even *November* on the Sunlane to Europe is warmer than *April* in New York!

Connections are excellent from cruise ports to almost all of Europe (4, 5 and 6 different ports, depending on the cruise you choose) ...from Cannes, for instance, on the French Riviera, you can be in Paris overnight aboard *Le Mistral,* one of the crack express trains linking the two cities.

If you're so minded, it's the ideal way to take the family with you. While you do business, let them stay with the cruise or holiday along the Mediterranean, depending on the time you need.

Rates start at $670 for First Class. Air conditioned stateroom. Private bath (as a rule with shower, not tub). Cuisine? It is unsurpassed, afloat or ashore.

Call your Travel Agent for reservations and all details.

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Mel Allen is never at a loss for words

The sound of his voice and his famous delivery, swift and sure as an ace pitcher's, make him a favorite of baseball fans everywhere. In business offices, unfortunately, the sound of voices, combined with the clacking of typewriters and the jangle of phones, add up to *inefficiency*. The solution? A Gold Bond Acoustimetal ceiling.

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memo

. . . Some Americans fear "closed door" in Korea

Most U. S. businessmen, instead of selling or producing goods in Korea, merely arrange for sales in America to Korean importers. The Korean Government, through its banks, has a finger on an American firm's gross business. But the Government can only estimate the agent's commission, and it sets the estimate as high as 10 per cent. Americans say they are willing to pay fair taxes but complain that the average commission is closer to 2 or 3 per cent, out of which they have to deduct high operating expenses.

What worries some Americans is that the running feud is so bitter that both sides will find it hard to back down.

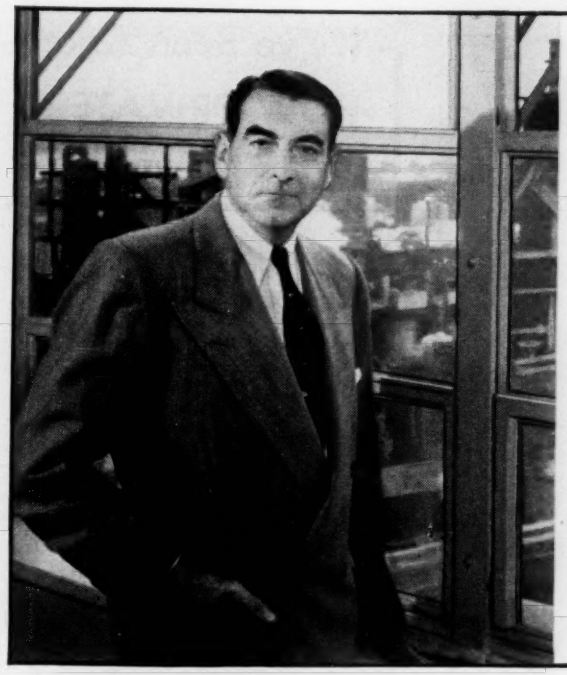
Some smuggle, some pay. These businessmen admit that some U. S. traders in Korea are known to be engaged in smuggling and other shady operations —and are willing to bribe Korean politicians for fat contracts. Yet these traders are among those who complain the loudest about the Korean crackdown, and they take advantage of the "united front" of businessmen that the Chamber of Commerce has tried to form.

A few Americans—not sales agents but those who actually do business in Korea —have taken advantage of the Government's early invitation to pay their taxes, then come around and discuss, in Oriental fashion, "adjustments" and refunds.

Other businessmen, however, are criticizing the Korean Government bitterly. And foreigners of long experience in Asia say the worst mistake of all was to attempt to bludgeon this proud, war-devastated country with the threat of canceling U. S. economic and military aid. The threat only made the Koreans more unyielding.

A mere blunder? As some Americans here see it, the Koreans did not intend their tax drive to be the deliberate freeze-out of American private businessmen that is seen in Japan. The real trouble, they say, is that Koreans don't have nearly enough experienced men in the Government. And it is probable that the present mess got started simply because some official thought it would be a good idea to get more revenue out of foreigners, and didn't bother to think the idea through.

Now, with the controversy still raging, nobody rules out the possibility that Asian nationalism will get the upper hand here as it has elsewhere in the Far East—and that the Koreans, then, will take up in earnest the idea of closing their doors to U. S. private business.



"At Monsanto we consider credit unions important to good employee morale"

EDGAR M. QUEENY,
Board Chairman, Monsanto Chemical Co.

"They provide an easier, more convenient and more profitable system of saving and borrowing money. I was a charter member of the credit union at our John F. Queeny plant and consider it one of the soundest investments I've made."

. . . and Monsanto employees speak for themselves

"FOLKS ARE HAPPIER when they know they can turn to the credit union for help any time they need it," says O. C. Stief, chief of plant protection. "With less worry, people aren't so likely to have accidents."

"I EARN A GOOD RETURN on my credit union savings and I save more," says Ray Lingle, Monsanto chemist. "And it's so handy to make deposits right here at the plant. Sure is a comfort to have a credit union!"

"WHY BUY THINGS ON TIME PAYMENTS when you can pay cash with a low cost credit union loan and save money?" asks Esther Schmidt. "I have more, and I'm better off financially since joining our credit union."

A credit union solves two basic financial needs for the working man or woman. It provides a convenient, profitable place for savings. It stands ready to help with low-cost loans in a very human and understanding way. The entire philosophy of the credit union idea is to encourage and help people improve their living standards without getting into financial difficulties. It's an example of democracy in the American tradition.

By keeping people out of financial trouble and freeing their minds of money worries, the credit union is also of great benefit to management. Morale is higher, work efficiency improves and wage garnishments and requests for pay advances are eliminated.

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We've Been Asked:

HOW PRIVATE IS A TAX RETURN?

- Just who can inspect your income tax return?
- Is this confidential or open to persons other than those in Treasury?
- Here are the answers.

Another committee of Congress is getting ready to examine income tax returns. That raises the question: Is your tax return really secret?

There is no firm guarantee. Tax returns are not at all secret from several groups that may want to inspect them. Actually a number of returns of individuals and corporations are checked each year by persons not connected with the Internal Revenue Service. Latest group to get authority to examine tax returns, under a recent executive order, is the House Committee on Un-American Activities.

Does this mean that just anyone can take a look at your return?

No. A person must show a good legal right to see a return before he can get it. Thus, for example, your neighbor or employer, or an acquaintance, can't go to your tax collector and demand to see your return. Lots of red tape is involved in getting access to returns, and Treasury employes who show returns to unauthorized persons face rather severe penalties.

Who, then, inspects returns, other than federal revenue people?

The largest group comes from State tax offices. Most States use such checks to uncover persons paying too little State tax or none at all.

Do all States have a blanket right to inspect federal returns?

No. But the federal tax law provides a way for the Governor of a State to get access to federal returns for State and, in some cases, local tax agents. About two thirds of the States have income tax laws.

Can these tax returns be used in court trials?

Yes. State attorneys can use information gained from income tax returns in courts. Evidence so used, however, usually consists of copies or photographs of returns rather than the originals. This information may become public as part of a court's record.

Can another federal agency get your tax record from the Treasury?

Sometimes, but there are tight restrictions on this procedure. The request must be signed by the head of a Government department or agency, and specific reason must be given for the examination. The Secretary of the Treasury can turn down the request. But, once a return is examined, the information revealed may be used in proceedings before or involving a Government agency.

Similarly, the Justice Department can get permission to study tax returns involving persons or companies under investigation. This information can be used by the Department or U. S. Attorneys in court trials and other proceedings.

Can all members of Congress examine returns?

Not just any member at all. But provisions are made for congressional committees to inspect tax returns. Frequent use of this privilege is made by the three congressional committees most interested in taxation—the House Ways and Means, Senate Finance and Joint Committee on Taxation.

What about the Committee on Un-American Activities?

That Committee plans to use its new authority to study returns in investigating subversive and un-American activities and propaganda.

Must Congress keep tax information secret?

Not necessarily. Committees must receive the tax-return information in closed sessions. But this can be disclosed in reports to the House or Senate.

Do the rules on inspection apply only to income tax returns?

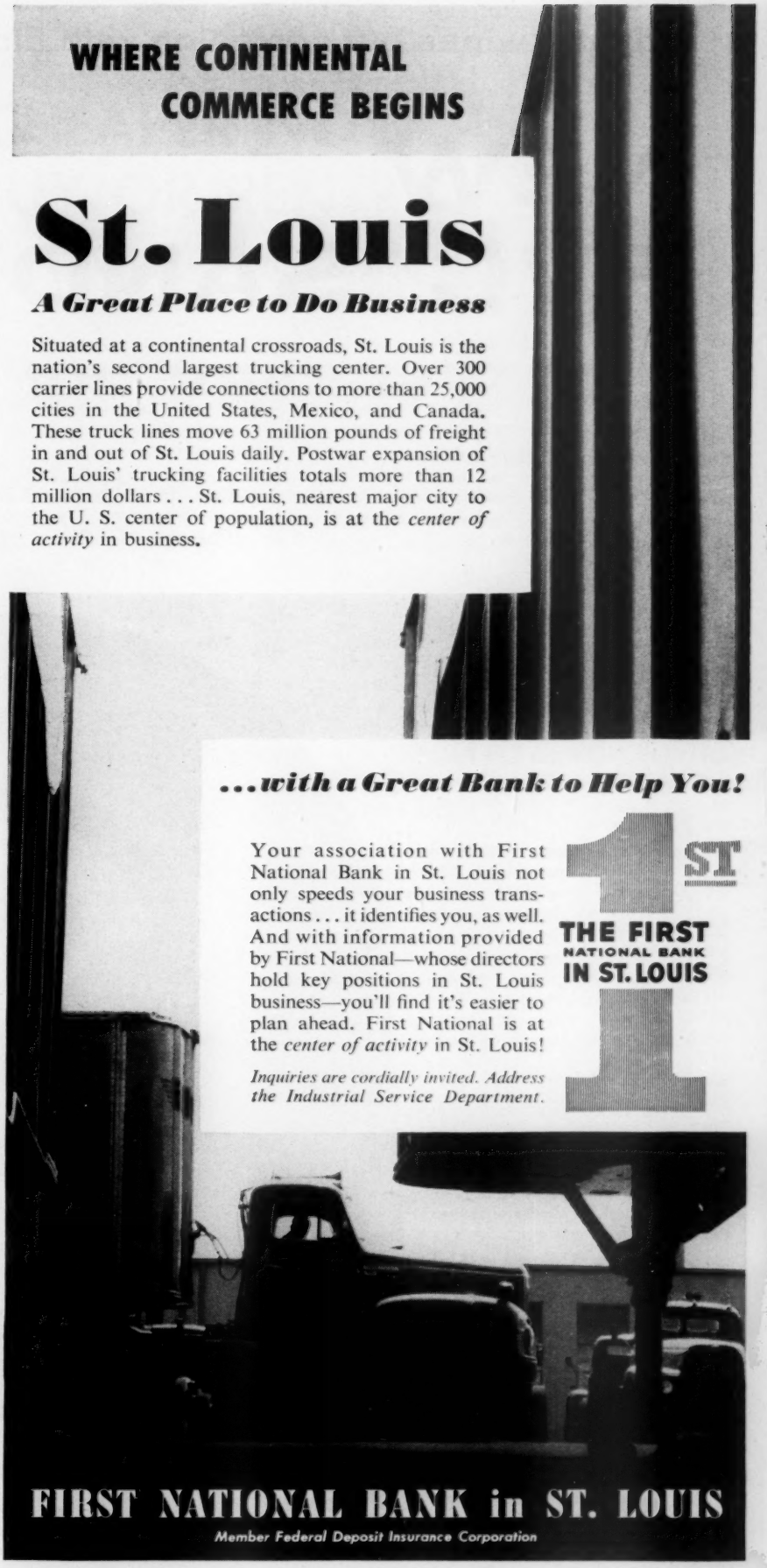
No. In general the rules on disclosure apply not only to income tax returns for individuals and corporations but to other reports to the Internal Revenue Service. These include partnership returns, declarations of estimated income tax, and estate and gift-tax returns.

Can you inspect the income tax return of a corporation in which you own stock?

Usually, if you own 1 per cent or more of the outstanding stock. You must apply to the Commissioner of Internal Revenue, and you are restricted in what you can tell about the company's operations.

What is the penalty for illegal disclosure of tax returns?

The penalty is a maximum fine of $1,000 and a prison sentence of one year, or both. Furthermore, the law says that, if the offender is an officer or employe of the Government, he must be dismissed from his job.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This remarkable lining, only .085" thick is actually two sided. One side is rigid Unplasticized PVC made of Exon 402-A resin, which is exposed to the silver plating solution stopping corrosion and preventing contamination. Its back is Plasticized PVC based on Exon 900 series resin, which, by being laminated to the Unplasticized PVC, makes possible the lining of metal tanks with Unplasticized PVC, and overcomes the varying rates of expansion between PVC and steel.

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IS IT CHEAPER NOW TO BUY OR RENT?

Slight Edge for Homeowners—Rentals Come Higher

Families trying to decide whether to buy or rent a home will do well to examine some official figures that now come to light.

What's shown is that, in the long run, the advantage is likely to be in buying.

That's the measure of monthly outlay for purchasing, against renting, a house.

But there are many factors to consider.

A home buyer must have some cash to start on. Upkeep can get to be a headache.

Then there is always the possibility that the house will drop in value—that the owner will lose money if he has to sell.

This article sets out the facts.

At this testing stage of the building boom, people are wondering more and more whether it is better to buy or rent a place to live.

This is a practical question that arises out of the present churning market for real estate—both the rental market and the sales market.

Rents, after a considerable rise, are leveling off. That is the national picture. In many places, with new apartments and rental houses coming on the market, rents are being cut.

New houses, in general, still sell readily. Prices stay high. Building costs keep rising. A house that could have been built for $12,150 last January would have cost $12,460 to build in July. Older homes, in most areas, are getting harder to sell, and prices of many have been marked down.

Home buyers often find now that it costs a little more to finance a house than it did a while back. Mortgage money is not always as readily available as it used to be.

Housing, however, both for rent and for sale, is plentiful once more in nearly all areas. Competition is building up for the housing dollar. This gives new meaning to the question of whether to rent or buy a home.

What it costs to rent or buy can be measured, one against the other, on the basis of official figures. While the latest information available is based on Government records for 1954, the averages are not likely to be changed by the passage of a few months.

Rents in new apartments being built under Federal Housing Administration programs run around $88 per month. That is the "median" figure, meaning that about half the units rent for more, half for less.

For that rent you can live in a two or three-story "garden type" project, without elevator service, with living room, small dining space, two bedrooms and kitchen.

In the official tallies, that is a 4½-room apartment, which again is fairly typical.

Of course, you will often encounter higher rents. They are much more than average in New York, Chicago and some other large cities. Everywhere extra space, air conditioning, elevators and maid service command higher rents.

Once you decide to accept the average modern apartment, you have only one big financial concern: monthly rent. Additional bills for electricity and for gas for cooking are not likely to be more than $5 per month. Other expenses are the landlord's worry.

—USN&WR Photo

A HOUSE IS SOLD
For owners, a long-run advantage

As a tenant in such an apartment, you may be getting better service than was provided a few years ago. You are less likely to have to do your own redecorating. You are more likely to get a new stove or refrigerator when the old one becomes inefficient.

The place may seem a bit crowded if you have an active child, but many families live in two-bedroom units when they have two or more children. If you are willing to go a bit higher in rent, you can find quite a few new three-bedroom apartments.

Renting a house is another possibility for the family in need of more space. Sometimes the cost appears, at first glance, to be no more than for an apartment.

For instance, FHA estimates that an average new house, sold with FHA mortgage, can be expected to rent for about $88.16. This estimate is based on officials' daily contacts with the local markets. The figure is closely comparable with the rents charged for new FHA apartments.

Rent for a house is not the full cost, however. The tenant has to figure on paying for heat and water, as well as other utilities. These costs bring the monthly outlay to around $100, on the average, or about $7 more than the outlay for an apartment.

In some cities, the difference is much greater. Rents for houses are extra high in places such as Washington, D. C., where many residents, expecting to stay

only a couple of years, rent houses instead of buying.

For this extra cost, the tenant in a house gets other advantages, in addition to extra space, as indicated in the chart on pages 78 and 79. A close look at the figures leads many to feel they could have all these advantages at lower cost, if they owned instead of renting.

Buying a house seems to be the cheapest way to get housing, in the long run. Often it also involves less current expense, once the initial investment has been made.

The person buying a new house with an FHA-insured mortgage pays, on the average, slightly less than $11,000. He makes a down payment of $1,842. Settlement costs add $200. The mortgage, for $9,143, is scheduled to be paid off in a little less than 23 years.

Monthly payments, including interest, insurance and taxes, cost this new homeowner $71.36 a month.

In addition, he has to allow for upkeep and repairs. Initially, these will not cost much, but they increase suddenly when the house needs repainting, the water heater gives way or the roof needs to be reshingled.

One large savings and loan association regularly allows $12 a month for upkeep, when sizing up the prospective income and outgo of its customers. Builders say the cost of maintaining a well-built house is likely to average somewhere between $10 and $15 monthly.

The allowance given in the chart on page 80 probably is on the liberal side. The man who does his own painting, carpentry and weatherproofing can get by for less than $13.92 a month.

Thus the typical buyer under FHA has monthly expenses, including upkeep, of about $85, possibly less. Cost of utilities, of course, is the same in a house, whether it is owned or rented. On this basis, the out-of-pocket cost of owning the new house is several dollars a month less than rent for a similar house. And, when utilities are added, the house still looks a trifle cheaper than an apartment.

Of course, this is not the whole story. People who own houses often live on a more elaborate scale than apartment dwellers. With more space, they may do more entertaining. They put extra money into landscaping, terraces, barbecue pits, and outdoor activities of all kinds. They have more rooms to furnish and are likely to pay higher prices for furnishings.

There also is a hidden cost the home buyer often overlooks. The $2,042 in cash that the average FHA buyer initially pays would be available for an income-producing investment if not used for the house. In a U. S. savings bond, for instance, this amount would earn an average of $5.11 a month.

The long-run advantage, financially, seems to lie with the homeowner, however, even after those factors are taken into account.

Here's the reason: A big part of the monthly payment, $33.25 for the average home buyer who deals with FHA, is going toward the purchase price of the house, to pay off the mortgage and build up the buyer's equity. This is property he can later sell.

Even if his house loses value over the years, he is still to end up with a sizable investment. Suppose the house depreciates $5,458—the amount of depreciation the Treasury assumes for such a house in its tax regulations—in the 23-year term of the mortgage; the $11,000 house still will be worth $5,542.

Except in a serious depression or a neighborhood upheaval, it is not likely to decline more than that.

When you take this investment into account, and allow for the loss of the settlement charges and the hidden loss of interest, you find the homeowner winding up with a saving of about $10 per month, compared with a tenant in a similar house.

That means also that his cost ultimately is less than in an apartment.

Official figures point the same way, if you consider the older house, instead of a new one; a mortgage under the Veterans' Administration rules, instead of FHA, or more expensive dwellings.

A man who buys an older house and uses a VA mortgage is more likely to find his current, out-of-pocket cost running a trifle higher than rent for the comparable dwelling. But his long-range cost, figuring the equity he builds up, is less than rent.

Economists say these conclusions jibe with everyday experience. If there were not a margin in favor of owning a house, people wouldn't buy houses with the intention of leasing them. The tenant pays more than enough rent to cover the cost, and the landlord ends up with a profit.

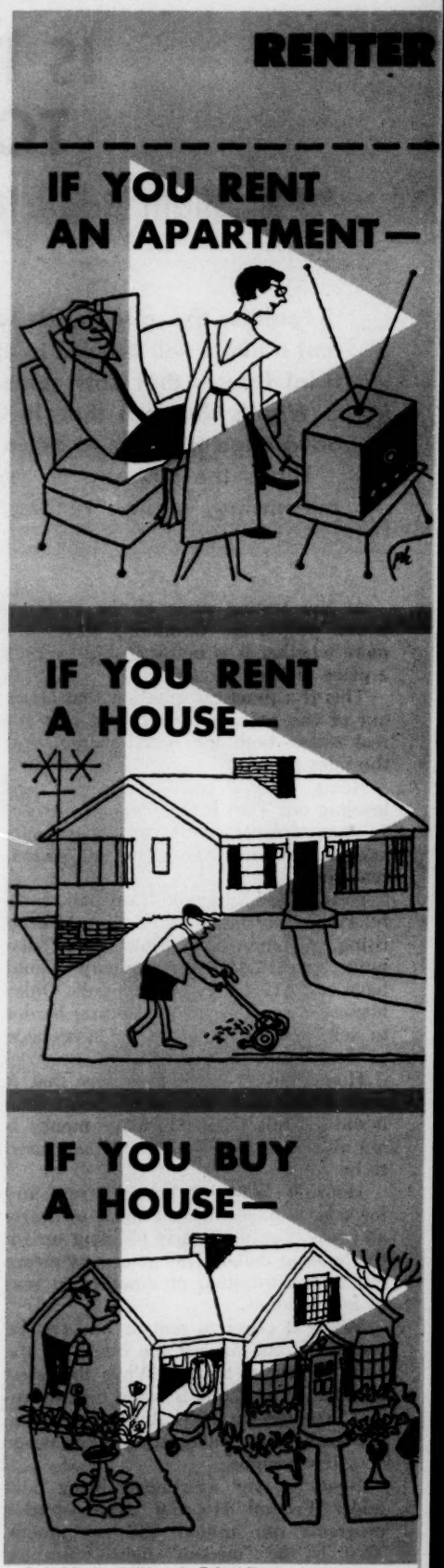
The person who lives in his own house can figure that he is, in effect, paying that profit to himself.

Economic factors such as these are decisive with many people, though not all. A Government survey a few years back indicated about a fourth of the families who bought houses did so because they felt rents were too high and owning would be cheaper.

About 19 per cent bought because they couldn't find places to rent.

These are the kinds of people likely to be most influenced by the fact that

(Continued on page 80)



Basic data: for monthly costs, Federal Housing Administration

OR HOMEOWNER—A Few Things to Remember

Buy an $11,000 house, and your cost probably will be about $85 a month. Rent the same house, and you are likely to pay $88 a month. *But that is not the whole story.*

This is cheaper than renting a house, if you accept average, modern quarters.

Rent normally covers everything but electricity, cooking gas, telephone.

Landlord takes care of repairs, upkeep, shrubs, lawns. He takes the risk of declining real estate values.

BUT:

You have less room than in a house.

Privacy is harder to achieve.

Landlord decides when to paint, make repairs, provide heat.

You pay, over actual costs, landlord's profit. In time of inflation, he can raise rent.

You are likely to have more room than in an apartment, more privacy, a chance to putter about.

Rent covers taxes, insurance and, usually, repairs and upkeep.

You have the benefits of living in a house, while the landlord takes the risks.

BUT:

You pay more. Rent usually does not cover any utilities.

You are expected to care for lawns and shrubs.

Rent can be raised in time of inflation.

What you pay, over actual cost, goes to landlord. You build up no equity.

This probably costs less, in the long run, than renting a house or apartment.

You have room, privacy, a chance for accomplishments in gardening, improvements.

You are building an investment. Payments for house are fixed.

BUT:

Costs and risks are your problem exclusively.

Taxes and utilities may go up.

You have to worry about all repairs and upkeep, take care of the yard.

It's harder to move, if you sour on neighbors or locality or get transferred.

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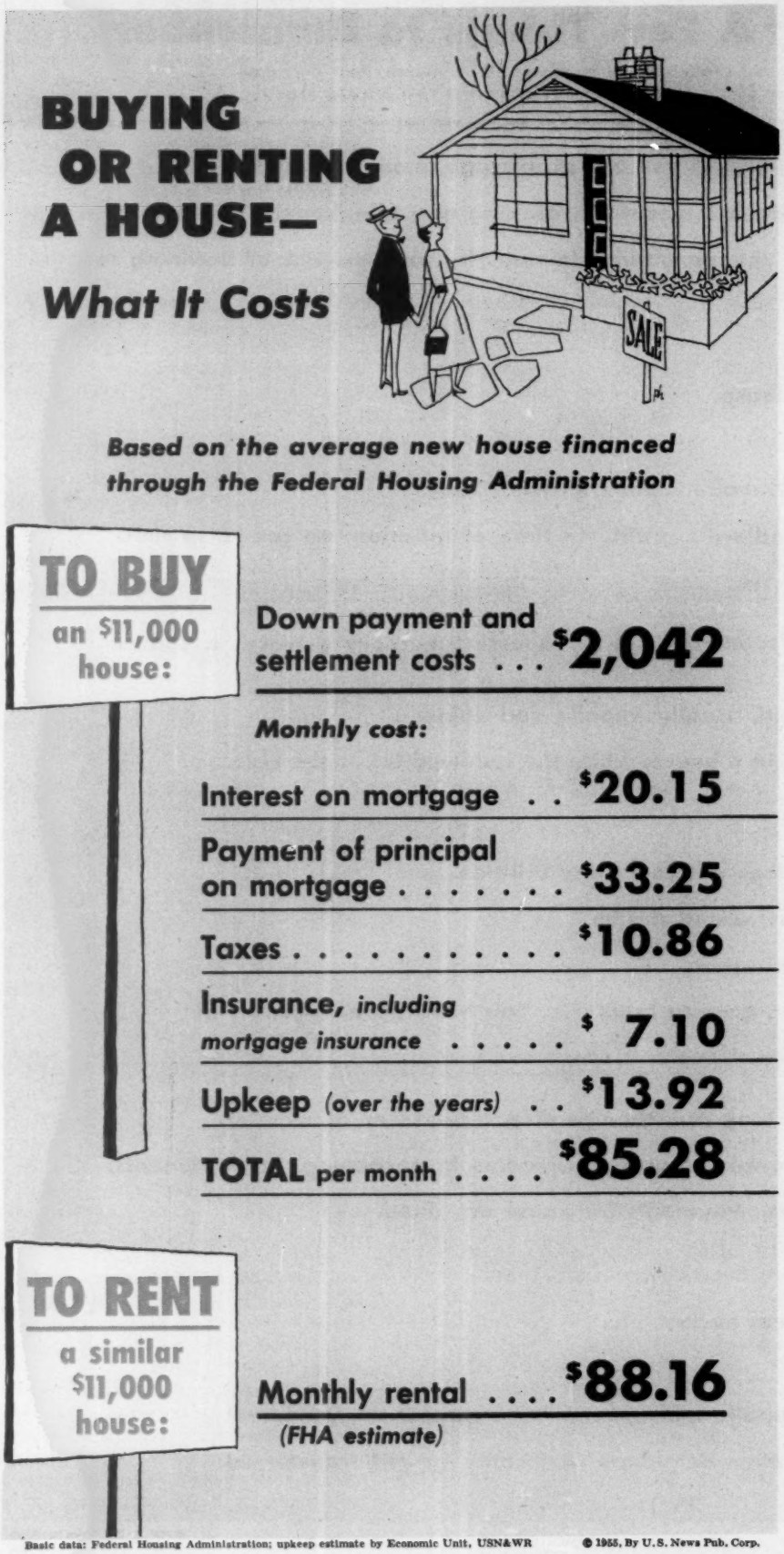
BUYING
OR RENTING
A HOUSE—
What It Costs
SALE
Based on the average new house financed through the Federal Housing Administration
TO BUY
an $11,000 house:
Down payment and settlement costs . . . $2,042
Monthly cost:
Interest on mortgage . . $20.15
Payment of principal on mortgage $33.25
Taxes $10.86
Insurance, including mortgage insurance . . . . . $ 7.10
Upkeep (over the years) . . $13.92
TOTAL per month $85.28
TO RENT
a similar $11,000 house:
Monthly rental $88.16
(FHA estimate)
Basic data: Federal Housing Administration; upkeep estimate by Economic Unit, USN&WR
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apartments are easier to find and rents have about stopped rising. They are the tenants the landlord may try to hold by cutting rents. A small cut might make the purchase of a house seem unattractive to those who take into consideration only the current outlays.

Other reasons for buying influence most families. They are looking for values that don't have a dollar sign. Some want yards for children. Others want places where they can have workshops or gardens. Others are trying to get farther from the city.

The desire for "independence" and "security" was cited by 11 per cent of the home buyers in the Government survey. Twenty-two per cent just liked the idea of owning homes of their own; 24 per cent looked on a house as an investment.

To many, of course, the "joys" of home ownership are not tempting. They don't like mowing grass, digging rocks and clay, caulking windows, refitting doors that swell in wet weather, cleaning furnace filters, the other chores that go with owning a house.

To these people, a house, at any price, seems dear. The chart on pages 78 and 79 sums up some of the disadvantages.

The urge to buy, however, is imbedded strongly in the U. S. public. More and more families have made the decision to buy instead of rent.

Back in 1940, about 41 per cent of the nonfarm families owned the homes they lived in. The proportion increased to 53 per cent in 1950, and is almost 58 per cent today, the Economic Unit of *U. S. News & World Report* estimates.

In actual numbers, the increase is even more startling: 11.4 million nonfarm homeowners in 1940, almost 20 million in 1950, about 24 million today.

A survey of consumers this year showed that 13 per cent of those who were renting had fairly definite intentions to buy; in addition, 16 per cent thought they might buy. More than half of these people gave the "desire to own a home" as the chief reason.

Thus, the man who decides to buy a house has lots of company. He can ask himself this question: "Can so many people be wrong?"

In view of all these factors, economists believe the market for houses is likely to remain large and strong for some time to come. That is what they read out of the figures on the cost of owning and renting, and out of surveys of public opinion.

The latest rules calling for more cash and bigger monthly payments on Government-backed mortgages are expected to delay some purchases. But the rules are for temporary effect. Apparently, a hefty cut in rents would be required to have much impact on home buying.

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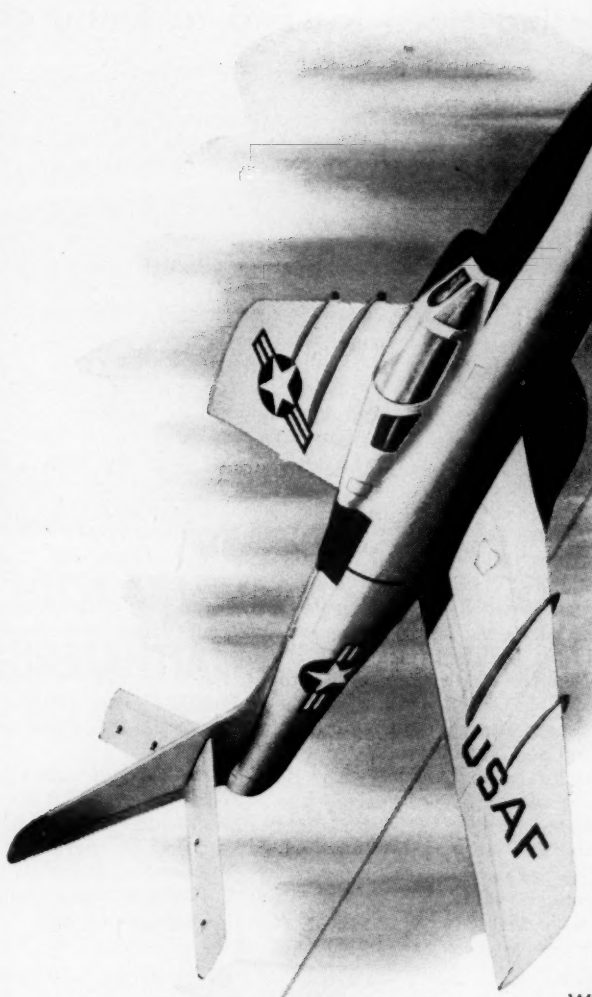

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CHINA TRADE: IT'S IN THE WIND

U. S. Allies Pressing Hard for End to Embargo

The push is on to open up trade, full-scale, with Red China. And a showdown is just ahead.

In Western Europe and Japan, businessmen are already counting up their future profits to be earned in the Chinese market.

The U. S., however, is skeptical, fears that the China-trade "boom" may turn out to be a mirage—while Reds get what they really want out of it.

Reported from
WASHINGTON and TOKYO

America's friends are putting on the pressure, now, for a resumption of strategic trade with Red China.

In Tokyo, London and other capitals, businessmen are reviving an old dream—the idea that they will find rich markets for their goods in China. Predictions are heard among diplomats that the U. S. will go along, reluctantly, in agreeing to an end to the United Nations embargo on the flow of strategic goods into Chinese ports once more.

With the U. N. General Assembly about to reconvene, there are veiled hints that America may have to strike a bargain with its allies and agree to lift the ban in order to get support for keeping Red China out of the United Nations for at least another year.

It was four years ago that the embargo was placed on shipments of strategic goods to Shanghai and other ports of Communist China, just after that country got into the Korean war.

Rising demands to lift the restriction now are prompting a fresh look at the question of trade with the Chinese—what Western businessmen hope to get out of it, and how much, actually, they are likely to gain.

Critics contend that the ban is out of date, now that the fighting is over in Korea and in Indo-China. At this time, they say, the embargo does little harm to the Communists and is merely a source of friction between America and its allies. Without the restriction, it is argued, the West might be able to get back the big share of China's trade it once had.

Some Allied diplomats are saying that lifting the trade embargo is a step that can be taken soon without creating an uproar in the U. S., and they are contending it might smooth the way for the U. S. and Red China to reach a longer-range adjustment of Asian problems.

Top American officials, however, do not go along at all with these ideas.

These officials say the embargo should be kept as a bargaining weapon, to be lifted only if Peiping guarantees in return that it will not attempt to seize Formosa or any areas in Southeast Asia by force.

American diplomats, too, say that removal of restrictions might hasten—not retard—Red China's admission to the U. N. One of them says:

"If we went ahead with lifting the embargo, we'd get a snowball rolling that we couldn't stop. . . . Once they get trade, they get recognition, they get admission to the U. N."

Skeptics say that Japan and other nations will be sadly disillusioned if they ever start trading in strategic goods—and see just how little China can pay for its imports.

Stumbling blocks. There are many reasons why the China market might prove a mirage to trade-hungry Westerners.

China's trade is now tied in with the Soviet bloc. Last year Russia and the Eastern European satellites supplied 80 per cent of Red China's imports. Although the Communists claim this was a result of the U. N. embargo, the pattern actually was set long before the Korean war.

The Chinese Communists have very definite ideas on what they want to import—capital goods to carry out industrialization. Western exporters of radios, automobiles, cigarettes and other consumer goods are expected to get the cold shoulder from Peiping.

Red China has a limited capacity to pay for imports. It has practically no foreign-exchange reserves. Chinese exports are mainly things like cereals, fats, tea, silks, bristles, tung oil—items that have limited markets abroad.

Last year the Communists exported 1,750,000 tons of soybeans and grain—about 250,000 tons more than was shipped abroad annually in the four preceding years. But floods and drought, together with the heavy exports, deprived the Chinese of reserve food to meet the calamities. The result was famine in many areas, and deep unrest in others.

The Reds probably could export more coal, iron ore and other minerals such as tungsten in exchange for capital goods. But Russia gets first priority on these exports, and whatever is left over is used by the Chinese for their own expanding

(Continued on page 84)

—United Press

SHANGHAI
. . . will the port boom again?

—Triangle

COMMUNIST JUNK
. . . limited export capacity

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[continued]

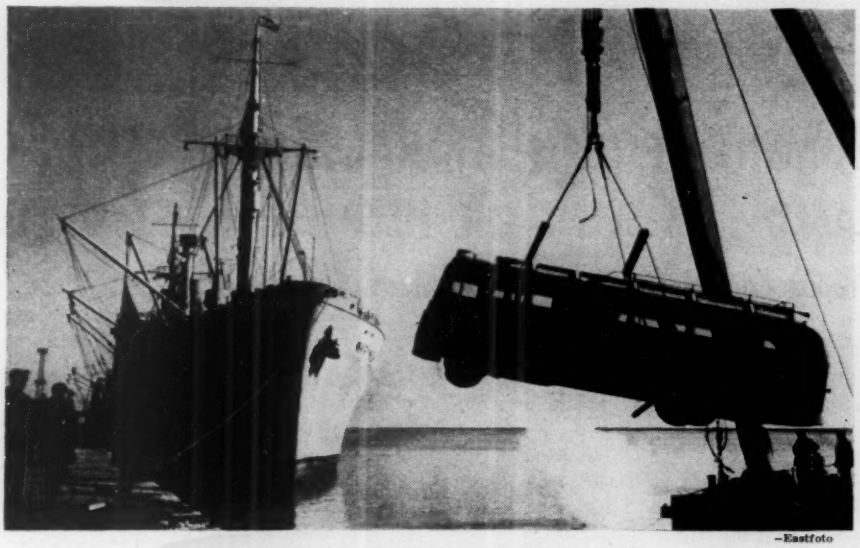
CHINA TRADE: IT'S IN THE WIND

steel industry. Japanese have found that second-grade Chinese coal and iron ore are uneconomic. As China's industrialization moves ahead, domestic demands for raw materials will increase—leaving even less for export.

China's concentration on heavy industry also means that Peiping, for a long time to come, will not be able to become a big exporter of consumer goods.

A vision of riches from the China market still is seen by many European businessmen, however. They insist that only the embargo stands between them and enormous returns.

British merchants coming back from Peiping say the Chinese are ready to divert trade from the Soviet bloc to West Europe. A Dutch official says that the Chinese "are eager to get away from their dependence on Russia." A British banker in Hong Kong predicts that China's trade potentialities are "as great as they have been for over a hundred years."



—Eastfoto

SOME HEAVY GOODS FOR RED CHINA
Offered in return: tea, bristles and tung oil

Promises by Chinese Communists give a boost to the hopes of Western businessmen. Peiping's Minister of Foreign Trade predicts that Red China's exports and imports, now worth about 3.3 billion dollars a year, will go up 66.5 per cent in the next two years.

There is no doubt that trade in nonstrategic items between Red China and the non-Communist countries is increasing moderately. In the first quarter of this year, British exports to China were running at a rate about 25 per cent above that of last year. Trade between India and China, in the same period, was nearly double the entire volume of 1954.

But claims by some Britons that lifting the embargo will open up a trade bonanza seem unrealistic.

Red China's failure to keep agreements with the West is well known. In 1952, the Chinese Communists signed pacts with 11 Western countries for 223 million dollars' worth of trade, but they have done hardly anything to fulfill these. And they are even having trouble meeting their export commitments to Eastern European satellites. For instance, the new trade pacts between Red China and such satellites as East Germany make no claim of an increase in the volume of trade—the first time that claim has been omitted since 1950.

Communist China's imports from the Soviet Union are almost exclusively capital goods for its industrial build-up. The same is true of its trade with the satellites. And the Red Chinese, in many cases, have been getting complete factories from the Communist countries of Europe. If the Communists insist on that kind of product, many Western exporters who howl the loudest for ending the embargo will be out in the cold.

Experience shows that the Chinese are not the easiest people in the world to do business with. For instance, they sometimes insist on getting paid for their exports as soon as the goods are loaded aboard a ship—not when they are actually delivered to the customer. The Peiping Government controls 90 per cent of the country's trade.

Japanese unhappiness with Chinese business ethics was noted recently, when Peiping, after promising to accept Japanese manufactured goods in exchange for a delivery of soybeans and other items to Japan, suddenly reversed itself and demanded payment in sterling for soybeans—and it had to pay $120 a ton instead of the U. S. price of $108.

Now, instead of accepting goods for their exports, the Chinese Communists want foreign exchange that can be used to settle accounts elsewhere. It is to get sterling, for instance, that the Reds are exporting about 8,000 tons of rice a month to Hong Kong, at a time when there is famine in several areas of China.

The Chinese, however, are going after token deals whenever it suits their political purposes—signing agreements with Egypt, Indonesia and other strategic friends. Sometimes they even offer those countries machinery and steel that China, itself, has imported from Eastern Europe. But often they simply cannot make promised deliveries, and nothing more is heard of the agreement.

There is evidence that Red China is being hurt by the embargo, and would like to see it repealed so the Communists can buy more machinery and raw materials from the West. A British financier, in 1954, reported that the strains on mainland China caused by the embargo "are getting more and more serious."

American officials, however, doubt that the Red Chinese could step up their Western trade very much—even if the embargo is lifted.

China's best exports, in large part, are mortgaged to pay Russia and other Communist countries for deliveries of capital equipment. And the Communists are finding it harder than before to cut down domestic consumption to build up their volume of exports.

Summing up, a U. S. diplomat says:

"The Chinese are doing everything they can, spending literally millions of dollars on this propaganda campaign to get the embargo repealed. But they're not really interested in trade. What they want is recognition and respectability—and a seat in U. N.

"Sure, our allies are getting restive. There are private groups that still dream of going back to China, the way they did in the old days. Somehow they just can't get disillusioned. But we have to maintain a solid front on this—keep the embargo. And that's what we intend to do."

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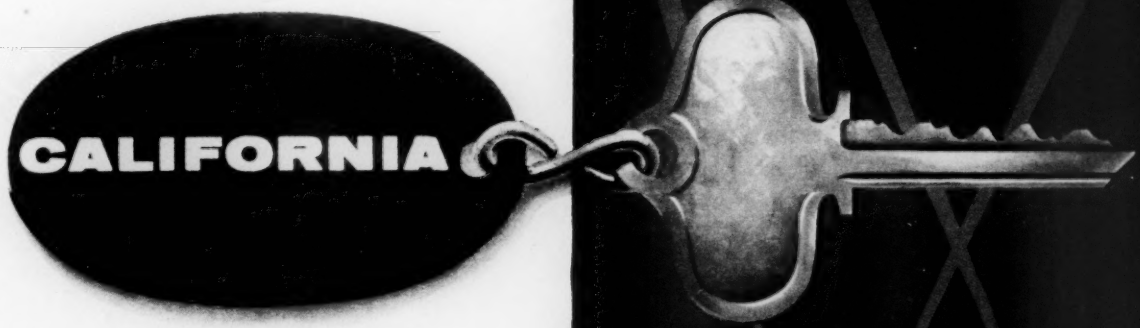

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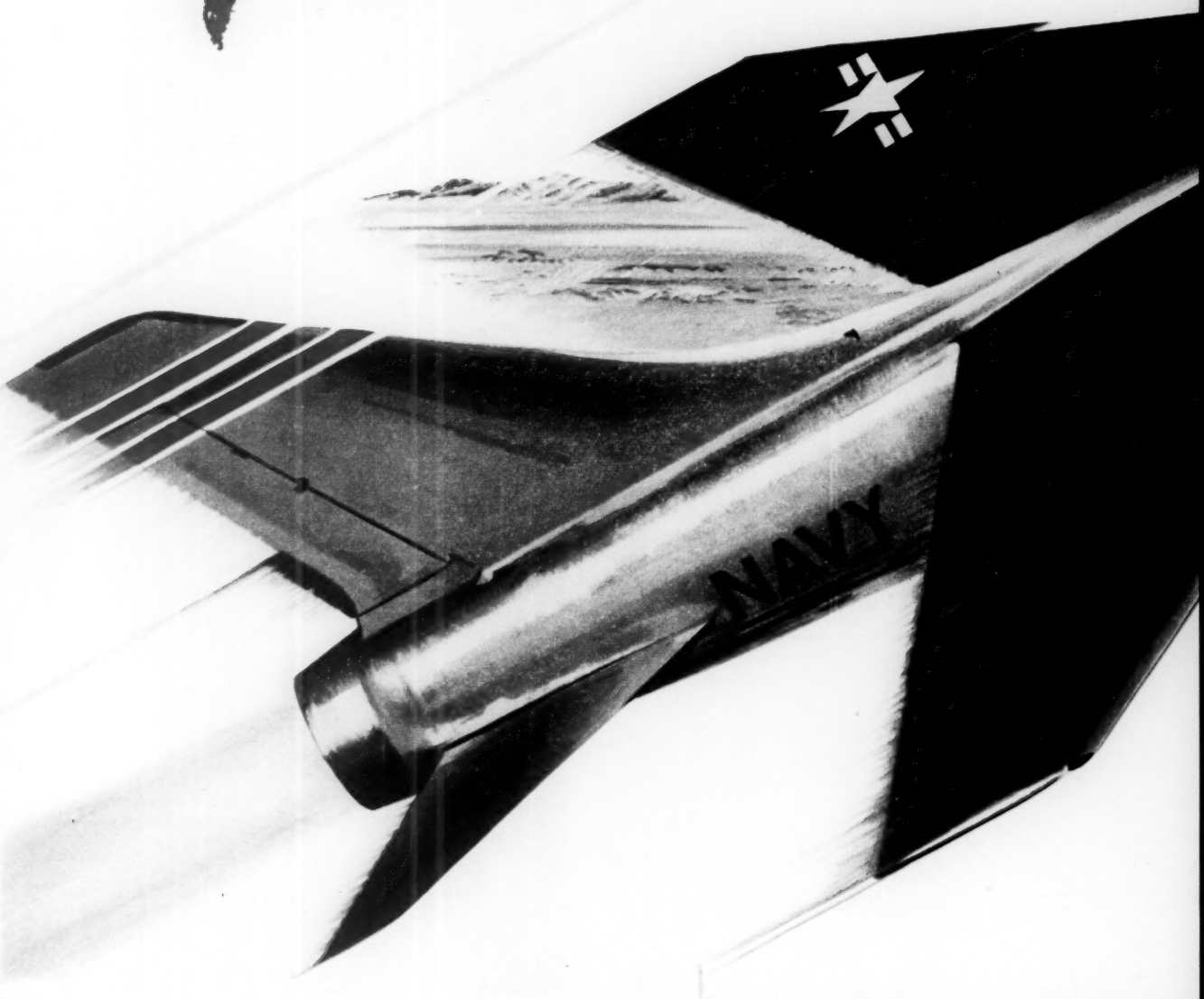

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This clean, high-wing aircraft owes its blazing speed and excellent high altitude performance to its simple, uncluttered design and tremendous powerplant—an afterburner equipped Pratt & Whitney J57-P-4 turbo-jet engine.

Latest in a long line of Chance Vought aircraft, the *Crusader*—newest star on the Nation's Defense Team—is an important addition to Your New Air Navy. *Its mission: to help keep free the seas that cover 70% of the world.*

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Everyone knows that Milwaukee Beer is traditionally famous for quality and flavor...so why not choose THE Genuine Milwaukee Beer, MILLER HIGH LIFE, brewed ONLY in Milwaukee for 100 great years.

The Champagne of Bottle Beer

Special Report

(This article represents the result of an extensive research on a problem of outstanding importance.)

STEEL—NO SHORTAGE TO THREATEN BOOM

The boom is not to be interrupted by a shortage of steel. That assurance comes from top men in the steel industry.

It's true that the supply is very tight. Mills are behind on orders, despite high output.

Steel companies are rationing supplies, trying to see that no crisis develops in any industry. Steel men say this has worked so far, will work in the future.

PITTSBURGH

The steel industry today provides a measure of the boom in business.

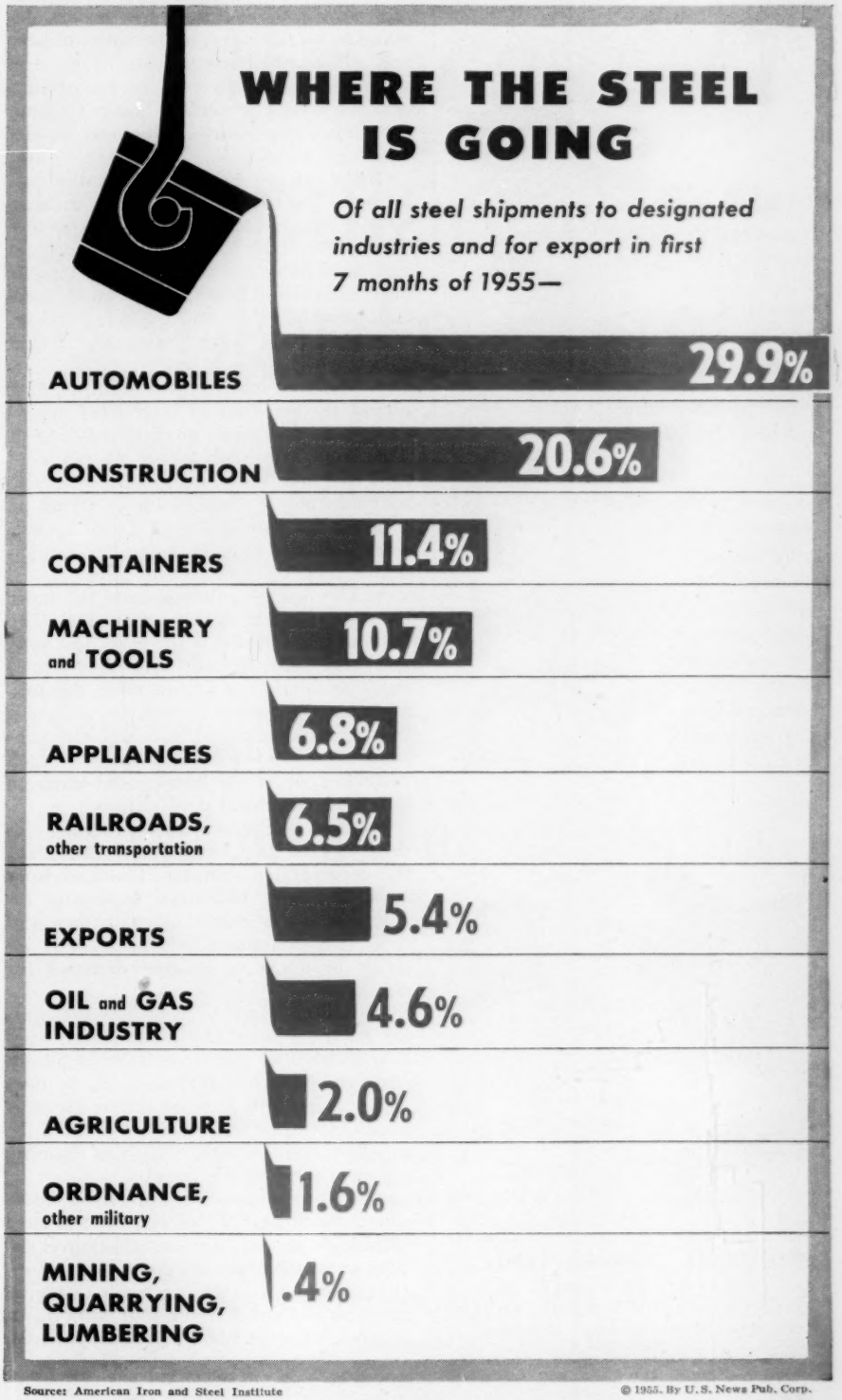
Nearly every industrial user of steel—and that takes in a long list—wants more of this basic metal than it can get. Mills in the Pittsburgh area and in other steel centers are swamped with orders that will keep them busy well into 1956. Shipments are running 30 days or more behind schedules, and customers are complaining.

Yet top men in the steel industry are inclined to brush aside reports of any real steel shortage. They know of no industry that has cut back production, or laid off workers, because of lack of steel. They find few signs of premium prices or of a black market. And they point out that industrial production, on the whole, is running along at record levels. This is evidence to the industry that there is enough steel to meet actual needs.

What this record production means is that the boom is not going to be tripped up for any lack of supplies. There are shortages of copper and aluminum as well as a tight supply of steel, but still there is enough of these basic metals to support record production of automobiles, new buildings, household appliances and a host of other products.

Meanwhile, steel output is rising. The industry operated below 90 per cent of capacity in July and August, but now has pushed operations to above 95 per cent of capacity. Operations are expected to stay at this level, or edge a bit higher, for the remainder of the year and beyond.

(Continued on page 90)


WHERE THE STEEL IS GOING
Of all steel shipments to designated industries and for export in first 7 months of 1955—
AUTOMOBILES 29.9%
CONSTRUCTION 20.6%
CONTAINERS 11.4%
MACHINERY and TOOLS 10.7%
APPLIANCES 6.8%
RAILROADS, other transportation 6.5%
EXPORTS 5.4%
OIL and GAS INDUSTRY 4.6%
AGRICULTURE 2.0%
ORDNANCE, other military 1.6%
MINING, QUARRYING, LUMBERING .4%

Source: American Iron and Steel Institute

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. . . wonderful things like noticing how attractive and colorful your office becomes.

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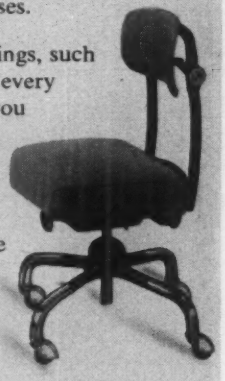

. . . satisfying things, such as knowing that every Steelcase chair you purchase is guaranteed to give 100% satisfaction. No wonder more people buy Steelcase than any other make of steel chairs!

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STEELCASE INC

GRAND RAPIDS, MICHIGAN

WHENEVER YOU WANT TO MAKE A GOOD OFFICE . . . A LITTLE BETTER

Special Report

. . . Autos and construction take half of steel output

As a result, a vast tonnage of steel is going to be available for more autos, more houses, more appliances, more machinery. The steel supply in months ahead will be ample to keep production at present record levels. Some officials of steel companies, however, expect demand to weaken a bit in the auto industry and the construction industry. One suggests that, within a year or 18 months, general business activity may slacken, bringing fairly sharp reductions in demand for steel.

Tight supply now in steel is due basically to the fact that the boom in business is bigger than had been expected. The automobile, construction, container and machinery industries—steel's biggest customers—have used a lot more steel this year than they had expected to use. The significant point, however, is that they got deliveries.

- The auto industry, for example, took almost 30 per cent of total steel output during the first seven months of this year. That compares with about 24 per cent for 1953 and 1954. Auto companies still are ordering in large volume, laying in supplies for production of 1956 models. This industry apparently counts on another year of near-record sales.
- The building boom calls for more than 20 per cent of this year's steel. The percentage is down a bit from last year and the year before, but, since total steel production is higher now, the tonnage actually going to builders is larger, too. In months ahead, the highway program is expected to call for increased deliveries of wire, wire mesh, concrete bars and structural steel shapes.
- The machinery and container industries, together, take more steel than the construction industry. Demand from both is rising. Industrial expansion requires a larger output of machines and tools, and the general rise in business activity produces a greater demand for containers.
- Railroads are coming into the market for more steel. Output of freight cars is scheduled to rise from 3,000 a month early this year to 6,000 a month by next spring. That will increase orders for steel plate. More plate also will be ordered for pipeline construction, which is fanning out over most of the country.
- Manufacturers of appliances, who now take around 7 per cent of the steel industry's output, are boosting their orders in expectation of larger sales of refrigerators, washing machines, vacuum cleaners and other household equipment. Some leaders in the steel industry think

(Continued on page 91)

Mutual of Omaha

NEW

H·factor

Group Insurance

HAS THE "SA" TO ATTRACT BETTER EMPLOYEES

H-factor Group Insurance offers you a new way to attract better employees—SECURITY APPEAL.

Your investment in group insurance is at the point of no return if it does not pay off in better employee relations . . . better employees. Mutual of Omaha's exclusive H-factor gives a bonus APPEAL in your program of security for employees. It is a packaged employee relations plan that is made available to you with your Group Insurance.

H-factor and its security appeal brings the better employee to a job and keeps him there. It nourishes his on-the-job satisfaction and his respect for management. It demonstrates your interest in him. It helps him recognize your contribution to his health and welfare. It will build a bond of loyalty between your employees and you.

If you have reached the point of no return in your present group insurance program, it is time to re-evaluate. A Mutual of Omaha group specialist will be glad to make a survey of your firm at your own, your broker's or agent's request.

Mutual **OF OMAHA**

Mutual Benefit Health & Accident Association

HOME OFFICE: Omaha, Nebraska

. . . Orders for steel now being placed for 1956

that their appliance customers may have set their sights too high.

• The industrial boom abroad also is reflected in demand for steel made in the United States. Exports amounted to 2.7 million tons in 1953, slipped to 2.5 million tons in 1954 and now are expected to reach 3.4 million tons this year.

• Warehouses, which act as suppliers for many small customers, continue to absorb about 19 per cent of the steel industry's output. Warehouses also become suppliers for large steel users when the bigger firms seek extra shipments. That practice is believed to be increasing.

Orders for steel now are being booked

—Jones & Laughlin Steel Corp.

STEELMAKERS AT WORK
Users want more than they can get

for delivery in the first quarter of 1956. These advance orders were placed earlier than usual this year and continue to be large. Steel companies thus are counting on operating close to capacity for months to come and expect the market for their product to remain tight.

Steel companies recognize that some of the steel now being bought is going into inventories, but they doubt that this volume is large. The National Industrial Conference Board estimates that steel inventories increased by 2.3 million tons in the first half of 1955. The Board describes this rise as modest.

One solution: allotments. The companies themselves are acting to restrain any sharp building of inventories. This is being done through a voluntary allotment

(Continued on page 92)

136 thousand manufacturing plants must be right!

In B&O's
LAND OF BIG OPPORTUNITIES

Today's industry count in B&O's Land of Big Opportunities is ample proof of industry's confidence in the area . . . and 500 million dollars *more* invested *this year* in *new and expanded plants* and equipment underscores area importance for *you.* B&O has SITES to SUIT! See them *on the ground* . . . or at your desk in *3-dimensional color* and airviews.

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Baltimore	1	Phone: LExington	9-0400
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Cincinnati	2	Phone: DUnbar	1-2900
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Baltimore & Ohio Railroad

Constantly *doing things* —better!

We got paid $122,500 although our factory was idle!

How Hartford Business Interruption Insurance paid off during our five-month shutdown

(Based on Company File #TC-51-1087)

A fire at our main clothing factory snarled our entire operation.

We couldn't use the building until extensive repairs were made. And we couldn't find another that could be used temporarily. We had no choice but to remain idle.

Many of our expenses, of course, went right on. Frankly, I wonder if we could have met them all without Business Interruption Insurance. It paid us $122,500 between the time of the fire and the date we got rolling again.

A period of enforced idleness can play havoc with the finances of any company, large or small. *Yours*, for example.

Why leave yourself open to a crippling loss of income when fire, windstorm, explosion, riot or other insurable hazard shuts you down temporarily? Let Business Interruption Insurance carry the load.

Your Hartford Fire Insurance Company Agent or your insurance broker is the man to call for full details about this essential, moderately-priced protection. Call him—*today*.

Year in and year out you'll do well with the

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Northwestern Fire & Marine Insurance Company
Twin City Fire Insurance Company . . . *Minneapolis 2, Minnesota*

. . . Industry planning expansion of steel capacity

plan, a kind of informal rationing system. When mills receive orders, they look into the past requirements of their customers, estimate the apparent actual needs and trim orders accordingly. Instances have been reported of cutting orders as much as 20 per cent on some items.

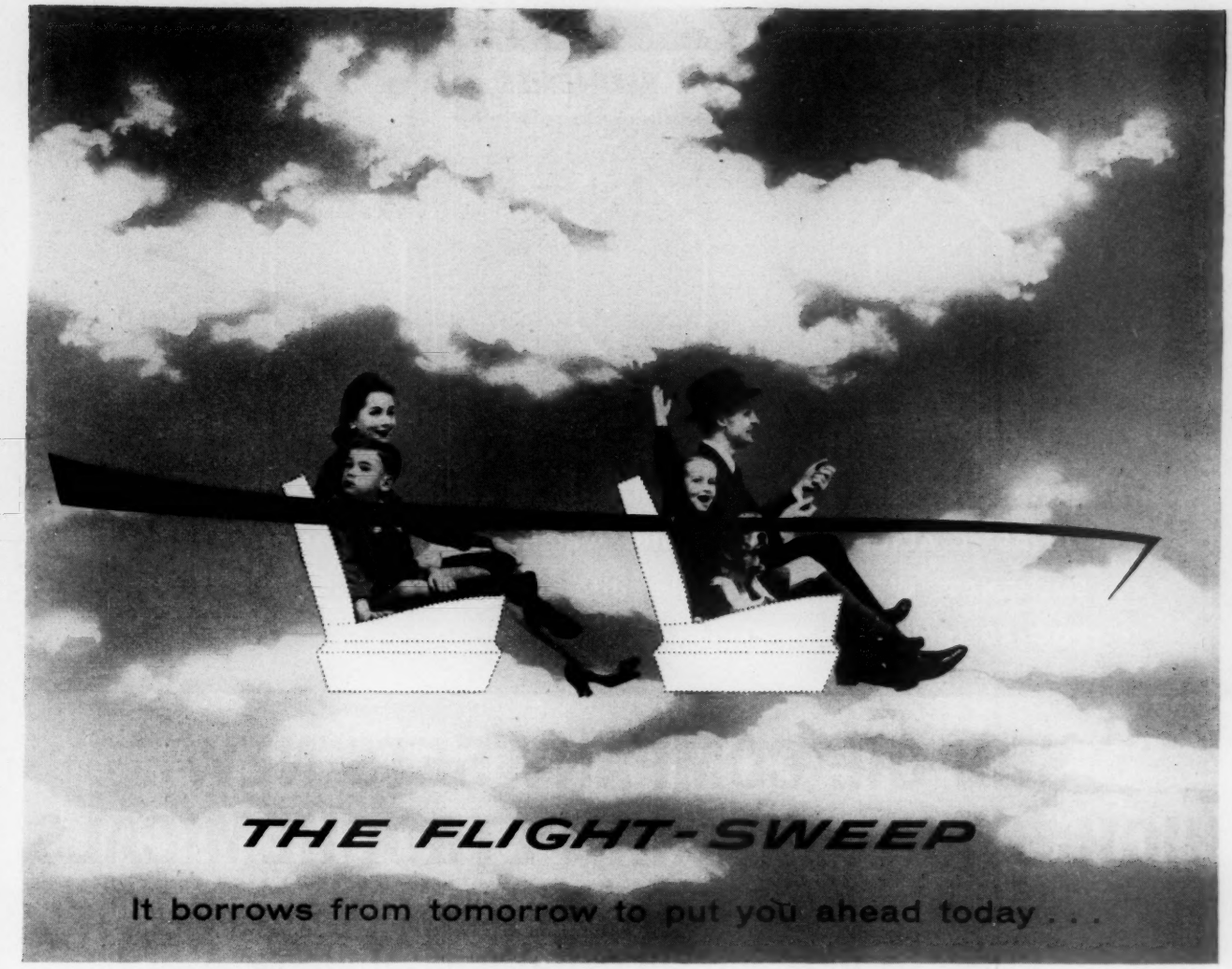
At present, demand is particularly heavy for steel plates, which go into pipelines, freight cars, storage tanks and highway bridges; for sheets, which are used in large volume by the automobile and appliance industries, and for structural shapes, the mainstay of many types of construction. The flood disasters in the Northeast and the oil-refinery fire in Whiting, Ind., added to the already heavy demand for plates and structural steel.

Allotments and delayed deliveries, however, are not regarded as serious handicaps to over-all production by the companies that make steel. The present flow of steel from mill to user, plus stocks on hand, is said to be sufficient to keep production going at current rates. The industry calculates that inventories of steel average about 60 days' supply. This includes not only stocks of raw material in the plants of customers, but also steel in transit, steel in warehouses and steel fabricated into parts and subassemblies.

This estimate of the industry is more optimistic than the estimates of many steel customers. They are inclined to include in inventory only the raw material on hand, and to measure their supplies in terms of days rather than months. But the industry still insists that output is not being held back for lack of steel.

The steel industry also is moving to enlarge capacity to meet growing demand. The latest expansion program to be announced is that of Republic Steel Corporation to increase capacity by 16 per cent at a cost of 130 million dollars. Actually, the industry has grown sharply since the end of World War II. In 1946, the nation's steel capacity was at 92 million ingot tons. At the beginning of this year, capacity was reported at 126 million tons.

In years ahead, executives of steel companies expect that from 3 to 4 million tons of new capacity will be added each year, mainly through modernizing and expanding existing plants. Construction of completely new plants is viewed by the industry as almost prohibitively expensive at today's costs. The expected growth, however, is deemed sufficient to meet the country's steadily rising requirements for steel.



coming soon in the all-new cars of THE *FORWARD* LOOK '56

THE FLIGHT-SWEEP is the freshest new note in automobile design you will see this year.

It is the focus, the symbol of *all the newness* you will find in the 1956 Plymouth, Dodge, De Soto, Chrysler and Imperial.

From jutting headlight to crisply upswept tail, THE FLIGHT-SWEEP line accents the low, road-hugging length of these cars. Its silhouette—like the silhouette of a jet plane—conveys both *motion* and *power!*

This is the direction in which car design of the future will go—for it is *in tune with tomorrow*.

In fact, you'll find a *lot* of tomorrow in these cars—in the way they perform, in the way they drive, in the way they ride.

You will find, for example, PUSHBUTTON POWERFLITE! You can select your driving range by simply pressing a button with your left index finger! Press "D" . . . step on the gas . . . and off you go!

You'll discover *new power, performance and economy* in the finest and most advanced engines in any cars today.

You'll enjoy *new safety and security:* new hydraulic braking systems that are surer and easier to operate . . . new Life-Guard door latches that hold fast under stress as none have ever done before . . . bodies and frames that are the most rigid and best-constructed in the industry. And if you wish, you may have safety seat belts.

In 1956, the second challenging year of THE *FORWARD* LOOK, the advantages of Chrysler Corporation cars over other cars become even greater than in '55—when many more than a million families bought these cars just a few short months after their introduction.

Watch for THE *FORWARD* LOOK '56. It's coming soon. Make a date with your dealer and be among the first with THE FLIGHT-SWEEP . . . and *all* the new things in the 1956 Plymouth, Dodge, De Soto, Chrysler and Imperial!

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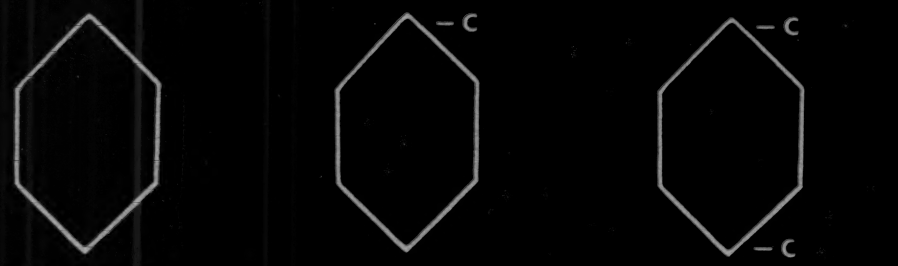

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SUN OIL COMPANY SETS NEW HIGH STANDARDS IN PETROCHEMICALS

Constantly growing demand for purer petrochemicals met by new Sun Oil petrochemical plants

Chemists and manufacturers are constantly searching for chemical raw materials that will bring higher yields... increased plant efficiency... better quality in finished products.

Sun Oil Company is satisfying this demand with their new petrochemical plants, which are among the largest and most modern in the country.

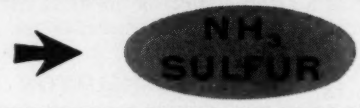
Today Sun's plants are producing petrochemicals unsurpassed in purity and quality. Typical are Sun Toluenes, which are guaranteed to contain less than 0.5% paraffins, well below the ASTM maximum of 1.5%.

Butylenes are eliminated from Sun Oil's propylene polymers. Sunaptic acids are saving thousands of dollars when used as a replacement for oleic acids, commercial naphthenic acids and synthetic acids in corrosion inhibitors for oil well casings and oil pipelines.

Other Sun Oil petrochemicals are just as outstanding. A rapidly growing list now includes benzene, toluene, mixed xylenes, propylene trimer and tetramer, high molecular weight naphthenic acids, water soluble sulfonates and polymerized drying oils. NH_3 and sulfur will soon be added to the list. More are in the planning stage.

If you are now using a petrochemical, or are developing new uses, see your Sun representative, or write for one of Sun's Technical Bulletins. Address SUN OIL COMPANY, Philadelphia 3, Pa., Dept. US-9.

SOON AVAILABLE FROM SUN OIL'S NEW PETROCHEMICAL PLANTS



INDUSTRIAL PRODUCTS DEPARTMENT

SUN OIL COMPANY, Philadelphia 3, Pa.

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News YOU Can Use ®

IN YOUR PERSONAL PLANNING

24th and N Streets, N.W.
Washington, D.C.

A bit of a crimp in the housing market makes older homes harder to sell, brings up angles you ought to know about.

SELLING HOUSES. Recent moves to tighten credit have brought larger down payments and shorter mortgage terms to home buying in many areas. Houses are harder to sell. That's especially true of older homes. They are more vulnerable to the stiffer financing of conventional mortgages--and to buyer preference for up-to-date touches. Real estate men say it takes an average of 60 to 90 days to move an old house. They report prices are having to be shaved--the owners, on occasion, even having to sell for less than they have put into the property.

TAKING A LOSS. Ordinarily, if you take a loss on the sale of your home, you can't claim that loss as an income tax deduction. There is a circumstance, however, which makes the loss deductible. Should you move out of your house and rent it, it becomes property used for production of income; any loss you take on a later sale then is deductible.

The Internal Revenue Service has never said how long you must rent the house to qualify for this tax treatment. Depends on the facts--and your intent. Note, too, that the home must actually be rented; an unsuccessful attempt to rent it--even though you are sincere--isn't enough.

FIGURING DEDUCTIONS. Usually a loss on a home you rent, then sell, is treated as an ordinary loss--it is fully deductible in the year it occurs. You need to know, though, the fair market value of your house at the time you convert it to rental property; that can determine the size of your loss. Take, for example, a house that cost you $20,000 but which had a value of $18,000 at the time of conversion. If you sell it for $16,000, your deductible loss is $2,000. However, if it cost only $15,000, had a value at conversion of $18,000, and you sell for $16,000, you have a $1,000 gain--not a loss--to report.

RESERVES. These points come up about how the new Reserve program affects youths who join the Reserve Officers Training Corps in college:

In the past, officer requirements of the services has varied. It hasn't always been possible to commission every ROTC graduate. Thus some have gone on active duty with commissions following graduation, others have served as enlisted men for two years, got Reserve commissions afterward.

Under the new program, all qualified students will get commissions on

(over)

graduation. But--depending on service manpower needs--some will go on active duty for two years, some for only six months. Those drawing two-year assignments will have a total military obligation of six years. Those drawing the shorter training have their obligation increased to eight years.

VETERANS IN SCHOOL. Start of school brings a reminder from the Veterans' Administration about out-of-class earnings of a veteran who is studying under the Korean GI Bill. Unless he is taking on-the-job training, VA says, what he earns outside class doesn't affect the size of his GI allowance. That point has caused confusion because there was a ceiling under the World War II GI Bill.

Allowance payments need not be reported as income for tax purposes, VA adds.

AUTOMOBILE INSURANCE. Notifying your insurance company that you have bought a new car to replace one covered by a liability-insurance policy you hold isn't to be so important in the future. A new standard policy coming into use with most automobile-insurance companies automatically covers the new car without need for notification. This, however, doesn't hold true when the new car is an additional one, instead of a replacement, or when the policy involves coverage for collision or physical damage.

ANNUITIES. There's a new gimmick being suggested now as a way of easing the tax blow on large annuities and endowments for people in the high tax brackets. Idea is to sell the annuity, just before maturity, to a firm which buys them at a discount. Then--the thinking is--the proceeds would be taxable as capital gains rather than as ordinary income. Note, though, that there are many angles to consider, and the Internal Revenue Service hasn't yet ruled on the tax status of such a step.

RAILROAD RETIREMENT. This to answer a query: A widow who draws an annuity based on her husband's Railroad Retirement benefits no longer stands to lose if she also earns a Social Security benefit of her own. That's spelled out in a law recently signed by the President. It wipes out a former rule that reduced the amount of a survivor's annuity by any Social Security payment the survivor qualified for. Now the survivor--a widow, dependent widower, child or parent of a deceased railroad employe--can get the full amount of both benefits.

BRAKING TIPS. You get these driving tips on best use of your automobile brakes from a manufacturer of brake linings:

Slow down gradually; unneeded quick stops are the mark of a poor driver.

Put your brakes on before you go into a sharp curve; if you feel a skid coming while you're in a curve, use the accelerator, not the brake.

On slippery roads, slow down with a series of "pumps"--cuts skid chances.

Apply brakes lightly for a few seconds after driving through a puddle; the heat will dry linings, prevent the "grabbing" of wet brakes.

On a steep hill, brake with on-off movements; steady pressure builds excessive heat--worst enemy of linings--may even cause brakes to "fade" completely.

WEATHER FORECASTING. How to develop a hobby of predicting the weather from observations you make with instruments you can build is told in a new book, "Weathercasting." Out September 22, it's by Charles and Ruth Laird. Price, $3.95.

Will your wife be free of worry in the "years between"?

If anything happened to you, have you considered exactly what the financial circumstances of your family would be *from the date of your death until your wife reaches sixty-five?*

These are the "years between," the years when, if childless, your wife will receive no Social Security benefits at all. If you have children, these "years between" begin when your youngest child reaches eighteen and end when your wife reaches sixty-five.

This is a time when Life insurance protection is greatly needed. To fill this need, the Metropolitan Life Insurance Company has created a new policy to provide protection especially for the "years between."

Specifically, this *Family Security* Policy offers these desirable features:

1. It will pay your wife $50, $100, $200 or more a month from date of your death until she is sixty-five.

2. If desired, part of the benefits may be taken in a lump sum and the rest in monthly installments.

3. In the event you should be totally disabled for six months or more, any time before age sixty, this protection will continue without further payment of premiums until such time as you recover.

These and many other desirable provisions are described in detail in material your friendly Metropolitan Man will be happy to discuss with you.

So, if you are concerned about the "years between" and would like to know more about the *Family Security* Policy, call your local Metropolitan Representative. His training and insurance skill make him an ideal consultant on insurance matters of any kind. Call him any time, or send the coupon, for . . .

Metropolitan service is
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Please have my local Metropolitan representative bring me more information about the *Family Security* Policy. 1055-K

Name_____ Age_____
Street_____ Wife's Age_____
City_____ State_____

Royal Commission Tells—

HOW SOVIET SPY SYSTEM WORKS

Blackmail, Gifts, Threats Used to Get Secrets

Here is the latest official story of how a Russian spy network actually works.

It is told by a Royal Commission on Soviet Espionage in Australia, and follows other reports by Canada and U.S. on Russian spying.

In this study, made in Australia after the appeal for asylum last year of the Soviet Embassy's third secretary, Vladimir Petrov, a vast Soviet spy network there is described in detail. The broad findings—

- **From the Australian Foreign Office, spies got documents giving U.S. and English foreign-policy secrets, closely guarded at home.**
- **Soviet agents went to great lengths in Australia to get the French ciphering technique, as a key to secrets of "the whole Western world."**
- **Spies and informers were recruited from several groups of Australians, "gifts" presented in many cases to ease moral scruples.**
- **Much effort and money went into attempts to build a fifth column for use by Russia.**

Major extracts from the Australian report appear in what follows, much of it based on actual Russian documents made available by Mr. Petrov when he defected.

Following are extracts from the report issued Sept. 14, 1955, in Canberra by the Australian Royal Commission on Espionage in the Petrov case:

1 The evidence before us clearly establishes the following basic findings:

From about 1943 until at least February, 1953, the Soviet had in Australia and was operating (probably continuously) a GRU [Chief Intelligence Administration] "legal apparatus"—an espionage organization concerned with the collection of military (naval, army and air) information.

2 From 1943 until Petrov's defection on April 3, 1954, the Soviet had in Australia, and was operating, an MVD [secret police] legal apparatus. At all times it was an organization concerned with espionage in relation to matters other than military information. Each apparatus was controlled (except for a short period) by a succession of officials of the Soviet Embassy at Canberra. Each controller was called "resident" or "temporary resident" and the apparatus was called "legal" solely because its resident enjoyed diplomatic status and immunity.

3 In June, 1952, the Soviet designed and directed the immediate establishment in Australia of an MVD illegal apparatus . . . organized and operating so independently of MVD legal apparatus as to be able to function in time of war or other emergency.

We have been able to discover little more than the fact that a GRU legal apparatus was functioning in Australia.

Under the Soviet system, a fundamental principle is that each branch of its espionage service shall be kept insulated from others and this meant that the Petrovs as MVD workers had no detailed information about GRU operations in Australia.

The first GRU resident was probably Zaitsev, whose overt post at the Embassy was that of second secretary. He arrived in Australia in 1943 and he appears to be the same Zaitsev who played a part in the successful operations of the Sorge Soviet espionage network in Japan in 1941. Zaitsev left Australia in 1947.

Military espionage work in 1947-1948 was under the direction of an organization known as KI and during the period GRU worked in Australia may have been under the control of Makarov, an Embassy official and one of Petrov's predecessors as resident.

With regard to guided missiles and the like, it would be unwise to assume that GRU operations in Australia have ceased. Petrov expressed to us his firm opinion that such an apparatus is still operating in Australia.

The Moscow center [of the secret police] recruited for its work in Australia officials of other departments who were being posted to the Embassy here by the Soviet Foreign Office, but when an official was so recruited even the Ambassador was not advised of his covert MVD association; only the resident was informed of it and that directly from the Moscow center.

A most important feature of the Moscow center's work in relation to Australia was the compilation of dossiers concerning Australians. The center compiled records dealing with Australian affairs, governmental and departmental affairs, etc.

Another branch of the center's work was the selection of suitable persons to introduce into Australia for espionage work, particularly as part of an illegal apparatus.

Another task . . . was to spy and report upon Australians and others who were permitted to visit the U.S.S.R., China and other Communist-controlled countries, particularly persons who made a visit as members of delegations attending so-called

. . . " 'Talent scouts' find willing agents for Communists"

peace conferences or youth rallies. Information thus obtained was transmitted to the resident in Australia.

Spying by the Moscow center upon these visitors had a two-fold purpose: first, to discover in these presumably sympathetic groups persons who on return to Australia would be worthy of study for attraction to active espionage work or for use as unwitting informants; and, secondly, to discover whether any of these visitors were counterintelligence agents. . . .

Growing international tension gradually produced in Australia a changed attitude towards the Soviet and an awareness of the necessity for security.

In April, 1953, the ministry which controlled Petrov's apparatus fell into disgrace and when Beria, its head and Petrov's chief, was arrested and executed along with a number of his subordinates, consternation and confusion must have spread through all ranks of the service. . . .

It is not surprising to find in Moscow letter No. 3 of June 6, 1952, a statement that MVD "intelligence work in Australia in 1951-52 was actually at a standstill and has not produced any discernible results."

Soviet Has Secret Helpers

The Soviet has in Australia, as in other Western countries, an auxiliary force composed of Communists and like-minded persons, some of whom are ready and willing to further the Soviet cause, some even to the point of destruction of Australian sovereignty. The Communist Party supplies the fundamental organization for this force.

The auxiliary force comprises some persons whose role it is to conceal their Communist affiliations and sympathies and to operate in the guise of an ordinary loyal Australian citizen. This class provides the most dangerous pool of helpers in fifth-column and espionage work.

The following circumstances are significant as to suggest existence of some sort of organization here interested in Soviet espionage:

1. All persons whose acts were directly or indirectly connected with espionage were either members of the Communist Party, ex-members, pretending-ex-members or sympathizers. . . .

2. The appointment of this Commission . . . was an act which would be expected to commend itself to all loyal Australians but the reaction of the Communists was most violent. They used every device to defeat or impede our investigations. . . .

However, from material before us we think it unlikely that the Australian Communist Party as a party had any connection with Soviet espionage here.

Petrov . . . wrote (in evidence) . . . that $25,000 had been paid to (Lance) Sharkey, secretary of the Central Committee of the Australian Communist Party. . . .

We find that payment was made by the Soviet Government to the Australian Communist Party to recoup it for its expenditure incurred in the campaign to defeat a proposal put to electors in a 1951 referendum that the (Australian) Parliament should be given the power to make laws dealing with Communists and Communism. The payment thus has no direct relation to espionage. . . .

. . . The resident's primary task is to find willing agents and for that purpose he needs what in another sphere are colloquially called "talent scouts."

Talent scout and prospective recruit are most readily found among Communists, and a talent scout must therefore be a person who knows a large number of Communists and preferably one who is a functionary of the Communist Party, acquainted directly or indirectly with the identity of its members and sympathizers. As it will later appear, Walter Seddon Clayton, while a leading functionary of the party, acted in the role of a talent scout as well as in operational work.

How Reds Recruited Agents

The resident himself and his workers would always be on the lookout to discover sources from which to gain knowledge of persons who might be worthy of "study."

When the time was thought to be ripe the subject was given some small task which might compromise him. If he performed that task he was then on what Mrs. Petrov called "the small hook." The study would go on . . . always under the center's direction, until it felt certain of the subject's reliability, when he would be regarded as a recruited agent.

Sometimes the subject would be persuaded to accept some small gift not so much for the purpose of bribery as to break down his moral resistance.

Another field for recruitment of agents is amongst *émigrés* from the U.S.S.R. and Communist-controlled countries. Among such *émigrés* may be found persons prepared to assist the MVD from love of their homeland or fear of hurt to their relatives or sometimes from mercenary motives.

It would be wrong to suppose that it is only the local Communist or Communist sympathizer or *émigré* who is marked down for study. The Petrov papers afford a number of illustrations for selection for study of persons having no Communist affiliation or sympathy. The aim of the MVD in relation to many of them was to acquire "in the dark" information. This expression implies that the informant is in the dark in the sense that he unwittingly gives useful information either through inadvertence or through ignorance.

The Moscow center was always interested in an official or other person having useful information who might be likely to drop an incautious word. That is why it sought personality details which might show whether subjects were talkative, in drink or naturally. Ordinary courtesies shown to a Soviet official or an interest in Russian art or literature or in conditions in the Soviet were noted. Other persons were marked down for study because the MVD believed that for some reason or other they might be susceptible to pressure or blackmail.

Evidence before us disclosed that a large number of residents in Australia had attracted the notice of the MVD. Of these more than 40 persons, apart from Soviet officials, had code names allotted to them. None of these persons knew he or she bore a code name.

Obviously the most important objective of Soviet espionage was to collect confidential information coming into possession of the Department of External Affairs. In that Department are persons who have knowledge of or access to knowledge not only of Australian foreign policy but also necessarily of the policies of Australia's friends.

In his [Petrov's] statement made to Richards [Deputy Director of Security] on March 4, 1954, the day of his defection, Petrov said:

"Nosov was the secret agent of the NKVD [another name for secret police]. He obtained his information from one man. This man operated a group of agents in Australia who reported information to him.

U. S. Secrets in Danger

"Between 1945 and 1948 there was a very serious situation in Australia in the Department of External Affairs.

"The Communist Party here had a group of External Affairs

. . . "Information about American foreign policy" was stolen

officers who were giving them official information. Members of the group were bringing out copies of official documents which they gave to a Communist Party member. This party man gave documents to Mr. Makarov at the Soviet Embassy. The documents described Australian foreign policy and also contained a lot of information about American and English foreign policy.

"I do not know the name of the party man who at that time reported to Makarov but his code name was Clode [the Commission noted the code name later was translated as Klod]. One of Clode's group was Ric Throssell, an officer of the Department of External Affairs. Throssell had the code name Ferro."

An important problem was to ascertain the identity of Klod. Since we conclude that Clayton is . . . K . . . we deal with him in this chapter.

Walter Seddon Clayton was born in New Zealand in 1906. He came to Melbourne in 1931 and joined the Communist Party in 1933. About 1935 he became a full-time party functionary and organizer. In 1943 he became a member of the Central Committee, the party's governing body. He continued to be a member of the Central Committee until August, 1951.

What Clayton did on behalf of the party during 1953 and the first half of 1954 we do not know. Indeed, wherever our inquiries led we found him the man of mystery.

Moscow letters disclose that the MVD had as an important espionage aim in Australia the obtaining of secret information from members of staffs of foreign diplomatic missions in Australia.

Evidence concerning Mme. Ollier, an official of the French Embassy in Canberra, is illustrative of the Soviet espionage design to suborn an official of a foreign embassy accredited to Australia to the prejudice not only of the official's country but also of Australia.

Attempts to Get French Ciphers

It is evident that the MVD had the basic design to obtain through Mme. Ollier ciphers and the ciphering technique used by the French Embassy.

Sadovnikov first made contact with Ollier and commenced a study of her. He returned to the U.S.S.R. in April, 1951. His successor, Pakhomov, continued the study until he left in June, 1952. Petrov was instructed by the Moscow center to continue the study.

Mrs. Petrov said Sadovnikov and Pahkomov were unsuccessful in getting any information from her [Mme. Ollier].

Sometime prior to Pakhomov's departure from Australia he had given Ollier a watch costing 35 pounds Australian [$78.40]. Mr. Petrov paid the 35 pounds from MVD funds and accounted for it to the Moscow center. Ollier may have regarded the gift as a mere gesture of good will.

Of course [we] know nothing of the French system in relation to ciphers, but it can be well imagined that the system is universal throughout all organs of their foreign office. If the MVD could be able, unknown to the French, to get the key to their communications, the security not only of France but of the whole Western world might well be in jeopardy.

Neither Pakhomov nor Petrov ever asked Ollier for the French ciphers or for information about the ciphering technique. Petrov said he did not ask her because he thought she was not ready to give such information; it appeared also there was a lurking doubt whether Ollier may not have been studying Petrov.

The study of Members of Parliament, with a view to their ultimate use as witting or unwitting informants and of political organizations to which they belong was a task on which the Moscow center laid emphasis.

• • •

Moscow letter No. 2 of March 12, 1952, reads: "In the matter of exposing foreign political plans of capitalist states by means of agent penetration into institutions of governments and leading circles of these governments, one of the most important priorities is the study of political parties."

The Moscow letter continued: "Study of political parties has not so far been carried out by the Australian section of the MVD. Employ all personnel of the MVD section and of recruited persons on the execution of this work.

"In connection with the necessity of stirring up the work of compiling dossiers on governments and public and political persons of capitalist countries, you should systematically collect and dispatch to MVD headquarters both agent and official information on the following persons:

"Menzies, Prime Minister; Casey, Minister of External Affairs; McDonald, Minister of Defense; Francis, Minister of Army and Navy; Fadden, Minister of Finance; McKell, Governor General; Williams, High Commissioner of Britain in Australia; Evatt, leader of the Labor Party."

Study of Key Journalists

The interest of the MVD in journalists and in particular of members of the Parliamentary Press Gallery at Canberra is obvious. Parliamentary journalists are in constant touch with ministers and with highly placed officials. They frequently receive off-the-record and background information, sometimes of an important nature.

Tass representatives in Australia . . . Nosov, Pakhomov and Antonov, were all active MVD cadre workers. The study of journalists for the MVD was primarily the task of the Tass representative who could, without exciting attention, mix freely with journalists.

That the interests of the MVD in journalists continued after 1949 appears first from evidence relating to Fergan O'Sullivan. In 1951 Pakhomov procured O'Sullivan to write exhibit H. [O'Sullivan] then [was] employed by the Sydney *Morning Herald* and was a member of the Press Gallery.

It is clear from the Moscow letters that the document was got by Pakhomov for MVD purposes and that after its dispatch the Moscow center regarded [O'Sullivan] as a promising prospective agent. That interest intensified after O'Sullivan became press secretary to the leader of the opposition in April, 1953 [Herbert V. Evatt].

The name of Chiplin appears in several paragraphs of the Moscow letters. He is a Communist and is employed by the *Tribune* [Communist weekly].

On Nov. 11, 1951, Chiplin published an article in the *Tribune* under the heading "Secret Treaty Sells Us to United States," which purported to set out an analysis of what he described as a "top secret" treaty of friendship between Australia and the United States.

Chiplin's article was a piece of dishonest journalism. There was, he well knew, no such concluded treaty. In fact, the treaty still is under departmental consideration.

The obtaining by Chiplin of this particular confidential information was not directly connected with Soviet espionage. Its relevance is that it disclosed Chiplin as a person willing and able to obtain confidential departmental information and shows that the Moscow center's opinion of him as disclosed in the Moscow letter was well founded.

The Moscow letters afford a number of illustrations of MVD

(Continued on page 102)

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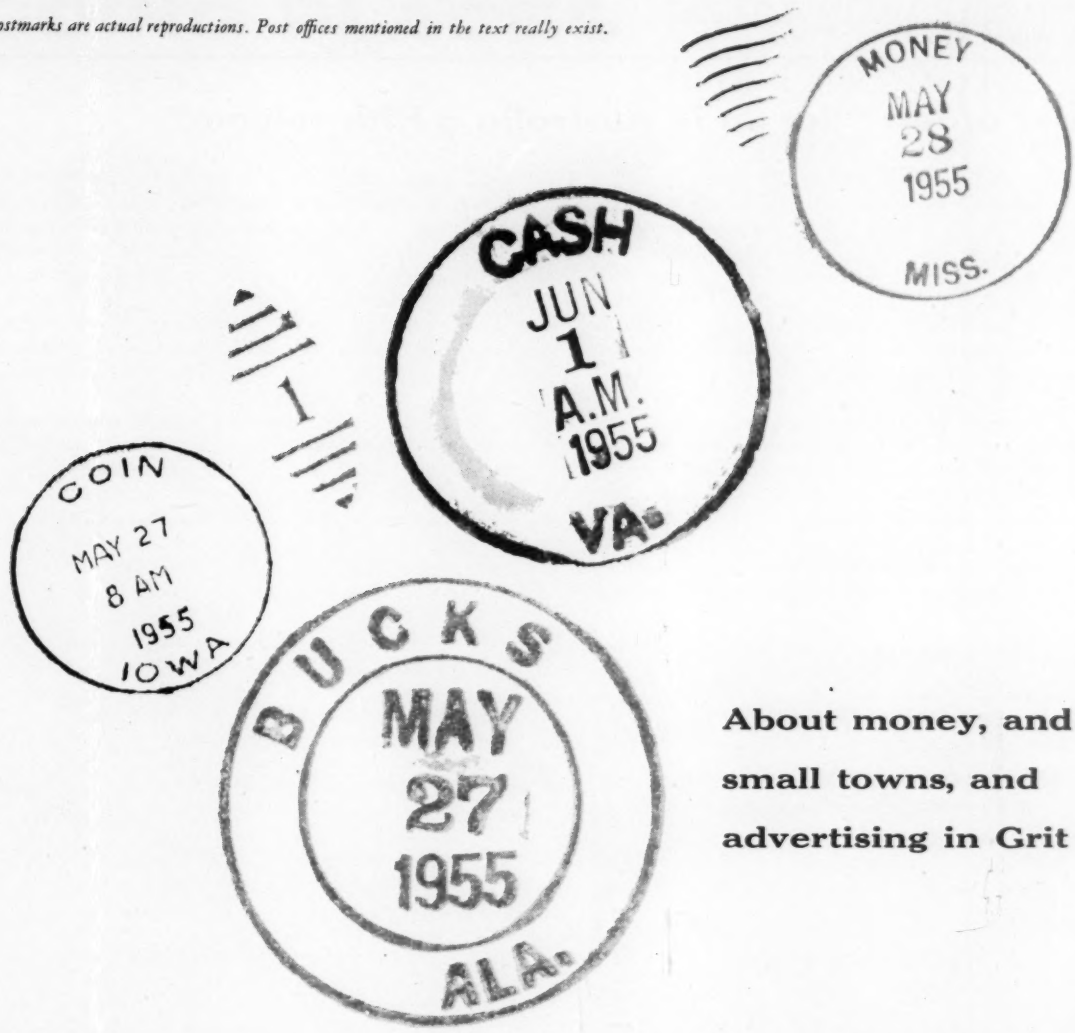

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. . . Soviet order: "Set up in Australia a fifth column"

use of the services of persons who had the cover of being commercial attachés at the Embassy to study persons engaged in trade with the U.S.S.R. and other Communist-controlled countries with a view to their possible recruitment and use for MVD purposes.

Persons engaged in trade with Soviet or other Communist-controlled countries could lend valuable aid in the establishment and maintenance of an illegal apparatus by providing commercial cover for transmission of funds and for communications.

A number of passages in the Petrov papers evidence the interest of the Moscow center in the work of our security service and similar counterintelligence organizations in other parts of the world. The Moscow letters contain three main directives. The Moscow letter of June 6, 1952:

"1. To take measures for the recruitment of valuable agents who have access to enemy intelligence and counterintelligence organizations and who have possibilities of supplying us with information concerning plans about subversive activities of the British-American bloc against the Soviet and people's democracies.

"2. To put into effect active agent maneuvers for exposure of channels of transmission of enemy agents. To intercept and unmask enemy agents who are being or have already been sent to the Soviet and people's democracies."

VLADIMIR PETROV
"All the Petrov papers are authentic"

Drive for American Secrets

A second general directive contained in Moscow letter No. 5, Nov. 27, 1952:

"In order to expose and suppress subversive activities of American intelligence and counterintelligence organizations against the Soviet we request you begin systematic collection of information in accordance with the following specimen questionnaire:

"Location and names of intelligence or counterintelligence organizations of American intelligence and schools. Form and methods of work of intelligence organization. Co-ordination of activities of intelligence and counterintelligence organizations. Training of agent cadres in America and in other capitalist countries.

"Data about use made by American intelligence of displaced persons, *émigré* organizations, former cadres of German and Japanese intelligence organizations and schools.

"Data concerning principal foreign centers and secret sections of intelligence organizations of America, names, personality details of their chiefs of staff personnel.

"Data concerning tasks set by American intelligence organizations to their secret sections and agents abroad as regards acquisition of information concerning Soviet and people's democracies."

An illegal apparatus has not the advantages which diplomatic cover gives to a legal apparatus, but those who work in it are less likely to attract attention of counterespionage services and its operations will not automatically be disrupted by war on breaking off of diplomatic relations.

An illegal apparatus and its illegal resident may work under the control of the legal resident, but otherwise as an entirely independent organization, with its own lines of communication with the Moscow center.

Care is taken to keep legal and illegal organizations separate, as far as possible, from one another. This is to minimize the risk that exposure of one organization or one individual in it will compromise another organization or other individuals.

That the Government of the U.S.S.R. designed and directed the creation of an illegal apparatus in Australia was established beyond doubt by the contents of Moscow letter No. 3, June 6, 1952.

In May and June, 1952, international tension was such that war involving the U.S.S.R. and Australia was by no means improbable. That the Soviet Government thought so is apparent in the letter which sounds a note of urgency in its direction to set up in Australia what is known in modern times as a fifth column.

CONCLUSIONS

We state the following general conclusions, but each of these conclusions being necessarily in an abbreviated form it must be read subject to what we have written elsewhere in our report.

1 On April 3, 1954, Petrov and, on April 20, 1954, Mrs. Petrov voluntarily sought and they were granted political asylum in Australia.

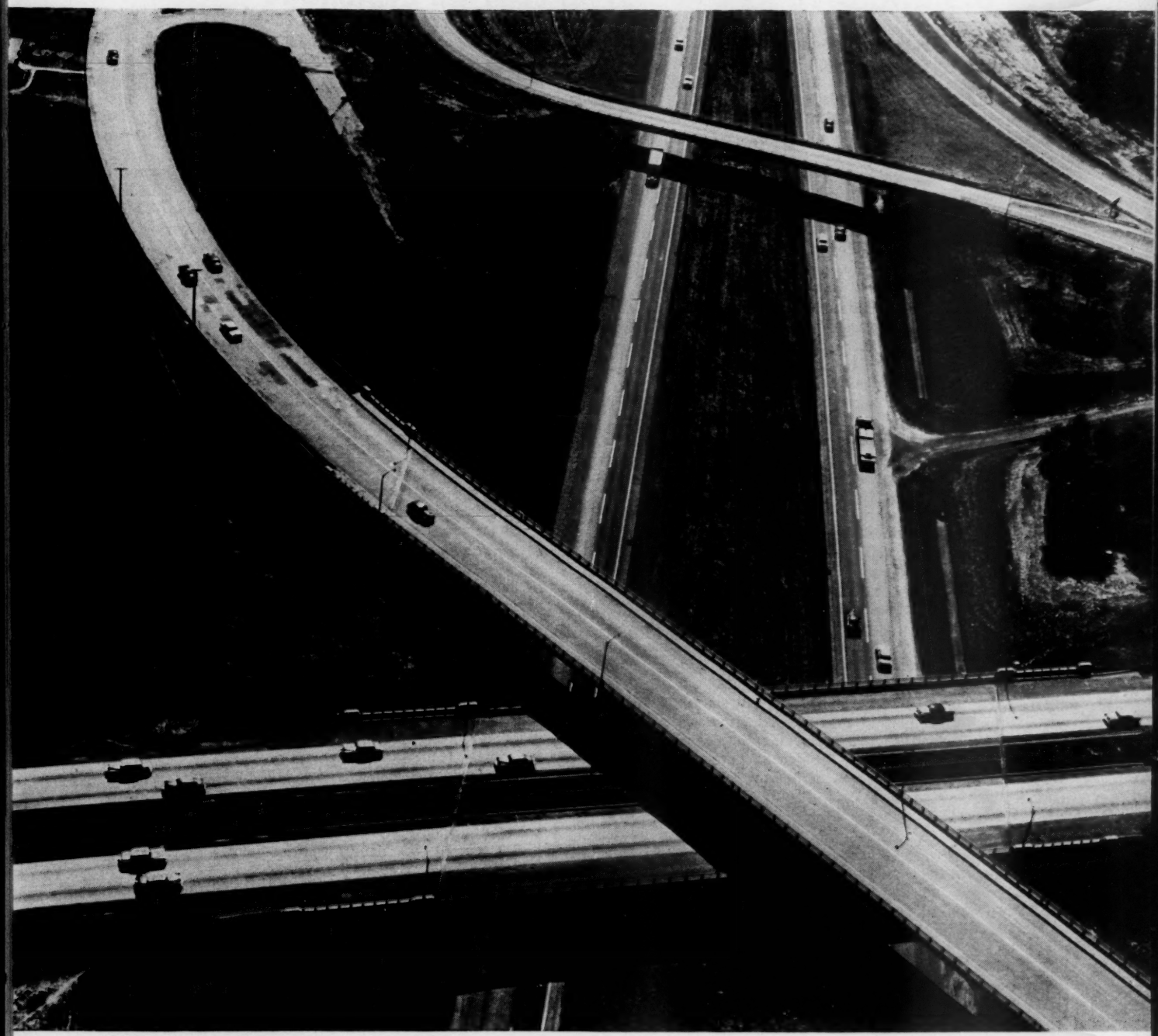
2 On April 3, 1954, Petrov handed to Richards of the Security Service (A.S.I.O.) documents which we have compendiously called the Petrov papers.

3 These documents comprised:

(A) The Moscow letters, being photographic prints of all letters written in 1954 by the MVD Moscow center to Petrov as temporary resident or chief of the MVD espionage section in Australia. The originals of these letters are in the Russian language and are partly in code and partly in cipher. . . .

(Continued on page 104)

GOING PLACES *on the great turnpikes with Cities Service...*



Driving along the major turnpikes, as millions did last year, it is easy to see that Cities Service has more stations on principal toll highways than any other oil company. During 1954, motorized Americans bought more Cities Service petroleum products than ever before.

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. . . "U.S.S.R. used its Embassy to operate espionage"

(B) A series of miscellaneous documents in Russian, which we call the G series of documents, containing a large amount of data collected by the MVD for espionage purposes. . . .

(C) A document in English marked exhibit H, being a document made by Fergan O'Sullivan and handed by him to Pakhomov, an MVD agent who sent a copy of it to the MVD Moscow center. The document contains personality reports on journalists and names three of them whom O'Sullivan suspected of being Australian security agents. We do not publish this document . . .

(D) A document in English marked exhibit J, being the carbon copy of a document typed in the Soviet Embassy at Canberra by Rupert Lockwood upon the procurement of Antonov, MVD agent.

The original of this document was sent to the MVD Moscow center. It contains a large number of personality reports on persons in Australia and it names a number of persons whom Lockwood believed to be or to have been connected with our security organizations.

The document contains much other matter, some of which was intended to be and may have been useful to the MVD. We do not publish this document . . .

4 All the Petrov papers are authentic documents.

5 From these documents alone it plainly appears that for many years the Government of the U.S.S.R. had been using its Embassy at Canberra as a cloak under which to control and operate espionage organizations in Australia.

6 Each of these organizations was called in Soviet espionage parlance a "legal apparatus" and was controlled directly from a special Moscow center which conducted its operational work secretly and independently of the Soviet Foreign Office and of the Ambassador.

The word "legal" has in this context no relation to "lawfulness." It merely implies that the "legal apparatus" is locally controlled by a chief called a "resident," who is a person enjoying diplomatic immunity as an official of the Embassy. An "illegal apparatus" is one in which the resident has no diplomatic cover.

7 The Soviet espionage organizations operating in Australia comprised what we have called a GRU "legal apparatus," i.e., an organization concerned with military (including naval and air) espionage, and what we have called an MVD "legal apparatus," i.e., an organization concerned with all espionage other than military espionage.

8 The GRU "legal apparatus" operated from about 1943 until at least February, 1953. But as the apparatus in Australia was kept carefully insulated from the MVD apparatus, Petrov was able to tell us little about it. . . . We have no knowledge whether a GRU "illegal apparatus" was or is still operating in Australia.

9 The MVD "legal apparatus" operated in Australia from 1943 until, by causing the withdrawal from Australia of the Soviet Embassy, Petrov's defection in April, 1954, destroyed it. It was locally controlled by a succession of residents or temporary residents, each of whom (except one, Pakhomov, who was temporary resident for a few months in 1951) had an overt diplomatic posting at the Soviet Embassy but was in fact covertly an MVD officer.

The residents or temporary residents in succession were: (1) Makarov (1943-1949); (2) Sadovnikov ("Said" 1949-1951); (3) Pakhomov ("Valentin" 1951); (4) Petrov ("Mihail" 1951-1954); (5) Kovalenok ("Stoun") who arrived in Australia on 3d April, 1954, to relieve Petrov as temporary resident.

At least the following other members of the Soviet Embassy staff were at one time or another covertly MVD cadre workers or collaborators:

(1) Vysselsky ("Vassili"); (2) Gubanov ("Santo"); (3) Krutikov; (4) Mrs. Petrov ("Tamara"); (5) Galanin ("Babushkin"); (6) Kislytsin ("Glen"); (7) Plaitkais ("Dvinsky"); (8) Kharkovetz ("Olia"); (9) Kovaliev ("Grigoriev").

In addition to these MVD workers, or collaborators, on the Embassy staff, the following Tass representatives in Australia were MVD workers: 1, Nosov ("Teknik"), 2, Pakhomov ("Valentin"); 3, Antonov ("Ignat").

10 The resident apparatus was rigidly controlled from Moscow by a succession of variously named organs of the Soviet Government to which we refer as the MVD Moscow center. This center collected dossiers and information from world-wide sources and this material formed the basis for its minute instructions to residents in countries abroad, including Australia.

11 The ultimate aim of the MVD was the collection of confidential information useful to the U.S.S.R. Its preliminary task was to discover persons who had access directly or indirectly to such information and from whom or through whom such information might be obtained either by inducement or pressure or by unwitting ("in the dark") disclosure.

Personality reports or dossiers were obtained from various sources in Australia and other parts of the world concerning persons in Australia who might be of assistance in this task. From these dossiers the Moscow center selected persons whom it thought worthy of "study" and those whom it thought worthy of being cultivated and developed toward their employment as witting agents or unwitting helpers or unwitting informants.

To many such persons the Moscow center allotted code names. The Moscow letters and the G series of documents alone record that out of the many names submitted to the center it selected at least 120 Australians as being of interest to it and it allotted code names to 40 of them.

12 Apart from its role as central controller, the Moscow center kept under close surveillance the many Australians who visited the U.S.S.R. and other Communist-controlled countries, particularly members of delegations to the various "peace" and "youth" congresses, in respect of whose visits the Soviet contributed very large sums of money. The object of the surveillance was twofold—to select possible helpers and to detect possible counterintelligence agents.

13 The work of the resident, assisted by his cadre workers and collaborators, was: (a) to report to the Moscow center upon persons in Australia who might be of MVD interest; (b) to "study" such persons as the center selected with a view to using them as witting agents or unwitting helpers or unwitting informants; (c) to obtain useful confidential information through such agents, helpers or informants.

14 The evidence clearly shows that it was only among Communists (in which term we include Communist sympathizers) that the MVD could expect to find in Australia willing

(Continued on page 106)

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. . . "Petrov's defection destroyed the apparatus"

helpers. The only Australians who so far as the evidence shows knowingly assisted Soviet espionage directly or indirectly were Communists.

We believe that the Soviet deliberately refrained from using the Australian Communist Party as a party for espionage purposes lest exposure should lead to its serious political embarrassment and possibly to its outlawry.

15 Without Communism, Soviet espionage could have no hope of success in this country, and the existence here of Communists who were and are willing to act to the prejudice of Australia was the fundamental cause of the formation of our Security Service and necessitates its retention in its present role as a "fourth service" essential to the security and defense of Australia.

16 In the hope of finding witting or unwitting helpers or unwitting informants, the MVD sought to make "contacts" amongst persons in all walks of life, particularly amongst public servants, members of foreign diplomatic missions, members of Parliament, journalists, persons in commerce, scientists and *émigrés* from the U.S.S.R. or other Communist-controlled countries.

17 A principal target of the MVD was confidential information in the hands of the Department of External Affairs because that Department holds not only vital information concerning Australia's defense and foreign policy but also much other confidential information entrusted to Australia by her friends in full expectation that it will be kept secure.

18 In 1948, information then in the hands of the Crown gave rise to suspicions that security measures in Australia, particularly in the Department of External Affairs, were inadequate. In consequence, Mr. Chifley, the then Prime Minister, formed the present Security Service.

19 Petrov knew only the bare facts that leakages of confidential information from the Department of External Affairs had occurred between 1945 and 1948 and that "Klod" was the code name of the Australian agent involved; but the information which the Crown had in 1948 has been confirmed and much amplified by the Moscow letters and the G series of documents and the evidence to which they have led us.

20 The material before us clearly shows that the suspicions held in 1948 were well-founded and that "Klod" is Walter Seddon Clayton, who during the relevant years was a functionary of the Australian Communist Party and an active agent of the MVD. Clayton continued his agent activities at least into 1950 but apparently with no success in the later years.

21 Our inquiry discloses no trace of any significant leakage of information from the Department of External Affairs since 1949, although it is evident from the Moscow letters that penetration of that Department remained throughout a principal aim of the MVD.

22 So far as we can learn, after 1949 the MVD had no success in gaining any information directly involving the security or defense of Australia but it pursued its operations and had some success in matters indirectly affecting the security of Australia, particularly in building up its network. Examples are the procuring of exhibit H in 1951 and exhibit A in 1953 from O'Sullivan a. d Lockwood, respectively.

The acts of these men were indirectly prejudicial to the security of Australia, not only because of the information they gave but also and, more importantly, because, by giving it, O'Sullivan was on the "small hook." He had taken the first compromising step which made him vulnerable to future pressure and Lockwood had more deeply compromised himself.

23 Before and after Petrov's arrival in Australia, a most important design of the MVD was to obtain through Mme. Ollier, a French Embassy cipher clerk, French cipher books and a knowledge of French cipher technique. In pursuance of this design, Pakhomov and later Petrov had a number of secret meetings with Mme. Ollier, the last being in March, 1954, but they failed to attain their object. Petrov's defection exposed and frustrated the design.

24 The failure of the MVD in Australia to produce significant results after 1949 was due, we think, to the matters referred to in chapter 8. Petrov became temporary resident at the end of 1951. In the Moscow letter dated 6th June, 1952, which contained a "plan of work," the Moscow center recognized that the ineffectiveness of the Australian MVD section during the immediately preceding years had been due to understaffing and staff inefficiency.

25 In June, 1952, international tensions were such that war involving Australia and the U.S.S.R. was not improbable. The "plan of work" directed Petrov to enliven the general MVD activities here and immediately to set about the establishment in Australia of an "illegal apparatus"—an espionage organization of fifth column which could operate in Australia if war destroyed the "legal apparatus" by causing the withdrawal of the Soviet Embassy.

26 The "plan of work" involved preparation for the planting in Australia of MVD "illegal workers" who would come here unsuspected in the guise of ordinary immigrants. Some work was performed by the MVD in this regard, but otherwise little of the "plan of work" was carried out.

27 Late in 1952 or early in 1953 the Moscow center decided to replace Petrov by appointing a permanent resident, but in fact he was not replaced until April, 1954, when Kovalenok arrived. Kovalenok's overt posting at the Embassy was as a third secretary but he was in fact an MVD officer of the Fourth Directorate—an MVD section specially concerned with the planting of "illegal workers." The intention was that later an officer more senior than Kovalenok would come to Australia as permanent resident. Petrov's defection intervened and destroyed not only the "legal apparatus" but also the design to establish an "illegal apparatus."

28 So far as we are aware no GRU "illegal apparatus" or MVD "illegal apparatus" has operated in Australia since Petrov's defection.

29 . . . we have dealt with the law in Australia relevant to the matters set out in the letters patent. The substantive law is such that when considered in conjunction with the technical legal rules governing the admissibility of evidence in courts of law, it would appear that prosecution of none of the persons whose acts we have considered in our report would be warranted.

Vladimir Petrov gives long-sought secrets of the Burgess-Maclean flight—page 21.

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How the fund operates. John L. Lewis, as president of the United Mine Workers, is firmly in control of the operation. He serves as chairman and chief executive officer of the fund's three-member board of trustees. The coal industry is represented on the board by Charles A. Owen. The third member is Miss Josephine Roche, considered by coal operators to be friendly to the union. This, the operators say, gives Mr. Lewis two votes to one on most issues.

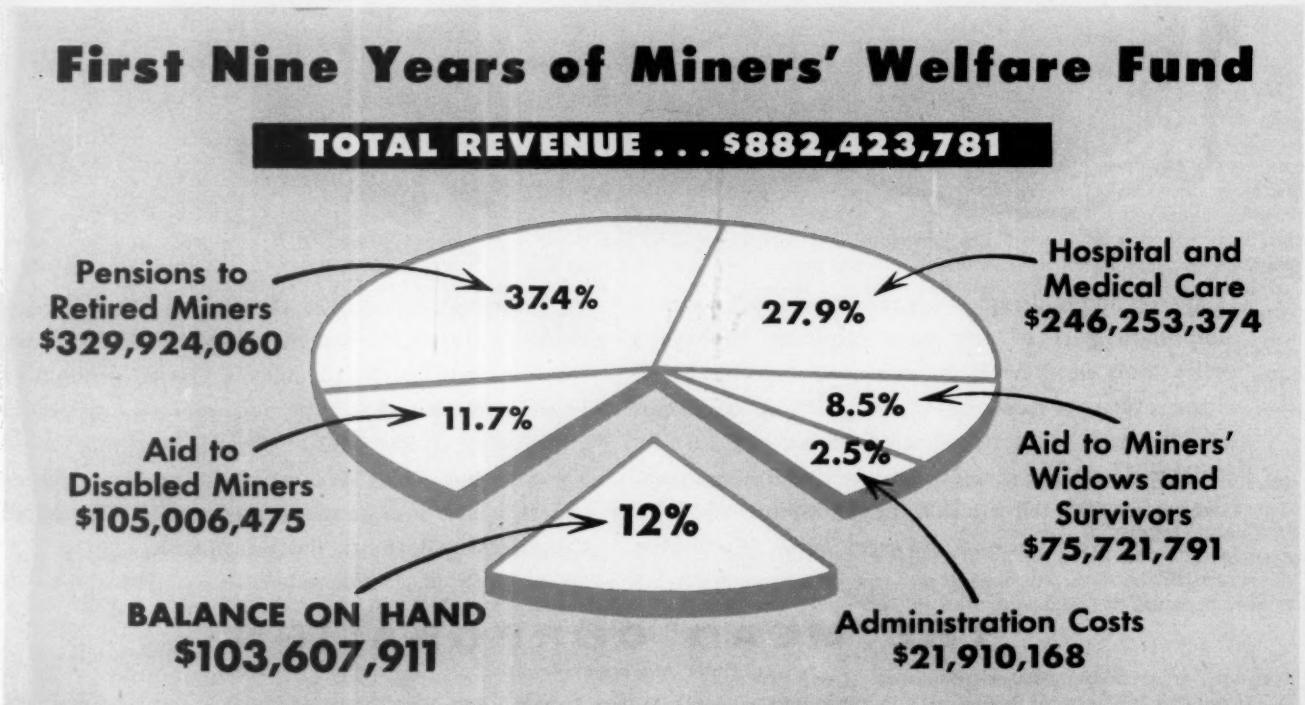
This fund covers only the soft-coal industry. A separate fund functions in the anthracite fields.

All money paid into the soft-coal fund comes from the mine operators. It is raised through a royalty of 40 cents on every ton of coal mined, and payments into the fund are made every month. In the fiscal year that ended June 30, 1955, the fund took in $129,227,658.37, including $1,284,040 from interest and dividends.

Collections weren't always this high. When the fund was organized in 1946, the royalty was 5 cents a ton. This amount was increased in subsequent contracts signed with the union, until it reached the 40-cent figure in 1952. Mr. Lewis has not asked an increase in royalties since then.

Where the millions go. During the 1954-55 period, when the fund was receiving nearly 130 million dollars in contributions, it was paying out 116 million in benefits of one kind or another to miners and their families. In the nine years of the fund's operations, it has paid

(Continued on page 110)



Source: United Mine Workers of America

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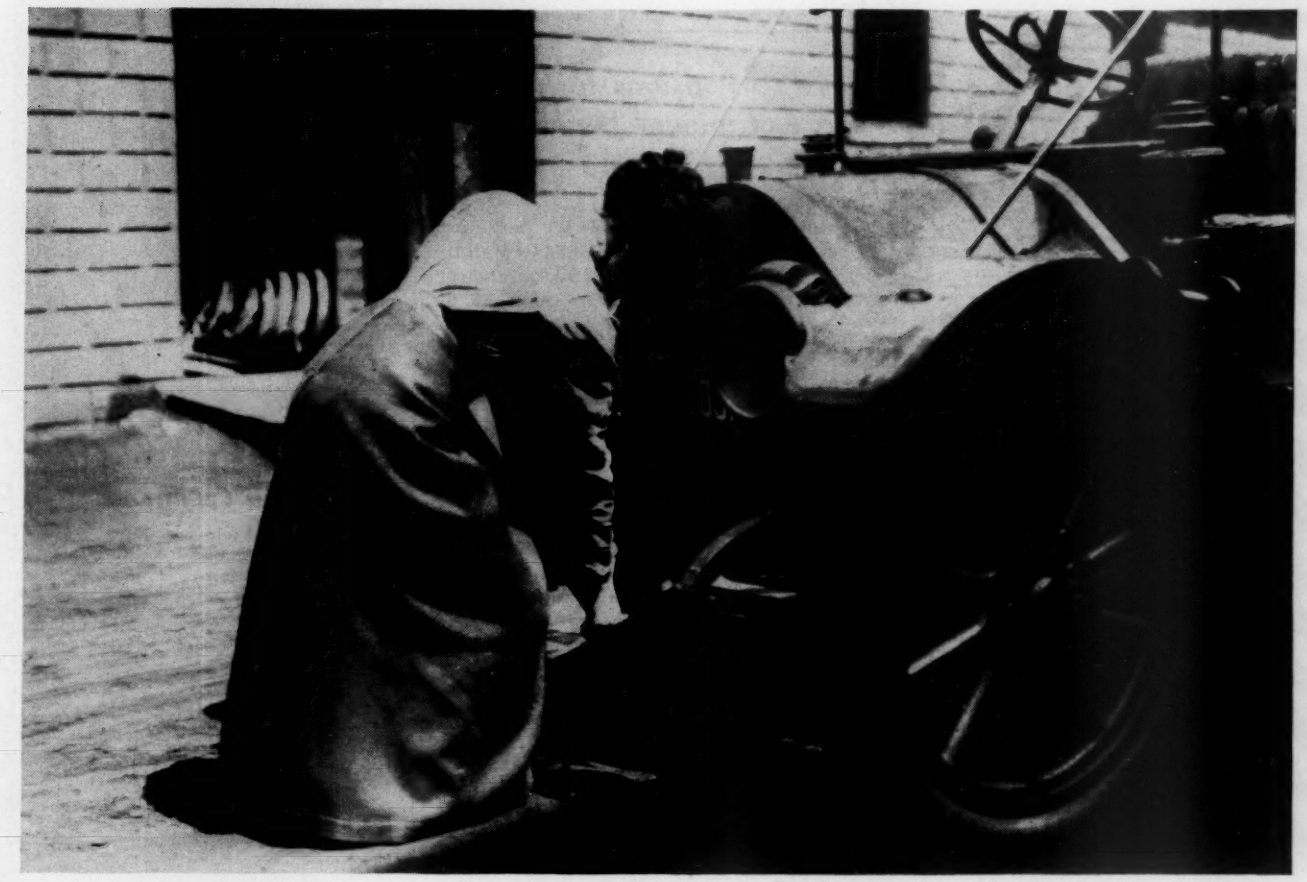

From "American Automobile Album" by William H. McGaughey

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. . . but many still hand-crank calculators . . . spending time that would soon pay for a high-speed, automatic **MARCHANT**

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For more information and rates, call your Post Office. And remember that the new certified letter-mail service applies to Air Mail too.

Advertisement by the Scheduled Airlines as a public service for the U. S. Post Office

SAVE TIME, SAVE MONEY, USE...

AIR Parcel Post and AIR Mail

. . . Pensions take lion's share of miners' benefit fund

out 778.8 million—nearly all of it for benefits.

Most of the money goes for pensions. Every retired miner who meets elegibility rules may collect $100 a month from the fund. This is in addition to his Social Security check, which can go as high as $147.80 a month for himself and wife.

Pension payments from the fund, as the chart on page 108 shows, have totaled nearly 330 million dollars in the last nine years. The bill for last year was about 70 million.

These checks, as of June 30, were going to 59,482 retired miners. Since most of them have dependents, a total of 105,878 persons were being aided by the pension checks.

Medical care is the second biggest drain on the fund. The hospital and medical-care program has cost the fund more than 246 million dollars in nine years. The program includes free hospitalization as long as a patient needs it, plus medical and surgical services during his stay in the hospital.

Who's covered. Miners now working in unionized mines are, of course, eligible for these benefits. Each miner carries an eligibility card, and presents it at a hospital or the office of a doctor participating in the program when he seeks medical care.

Unemployed miners, too, can get free treatment if their last jobs were in a unionized mine. Retired miners also are eligible.

Wives and dependent children of miners share in the free treatment. So do fathers, mothers, fathers-in-law and mothers-in-law, if they live with miners and are dependent on them for support.

All of the benefits that flow from the fund are available, theoretically, to all miners working in mines that have a contract with the union, regardless of whether they are members of the union. Actually, however, fund officials say that benefits go only to union members, because there are no nonunion members in the pits that are under UMW contracts.

All of the union's contracts contain "union shop" provisions. In a "union shop" all production workers are required to become members of the union after they are hired. In some States, where laws forbid this type of agreement, the miners achieve the equivalent of a "union shop" by refusing to work with men who do not belong to the union.

A million patients. Magnitude of the medical and hospital program is indicated by the figures for last year. Nearly

(Continued on page 111)

Interested in Refrigeration or Air Conditioning?

Then you should see this new Bulletin on Frick "ECLIPSE" compressors . . . the world's finest line of commercial and industrial refrigerating machines. Full range of sizes—from two to nine interchangeable cylinders . . . for use with all standard refrigerants. Maintain any temperature from 140 degrees below zero to 80 degrees above. Over 70 years' experience built into them. Write today on your firm's letterhead for Bulletin 100.

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No. 6587
The famous red typewriter eraser.

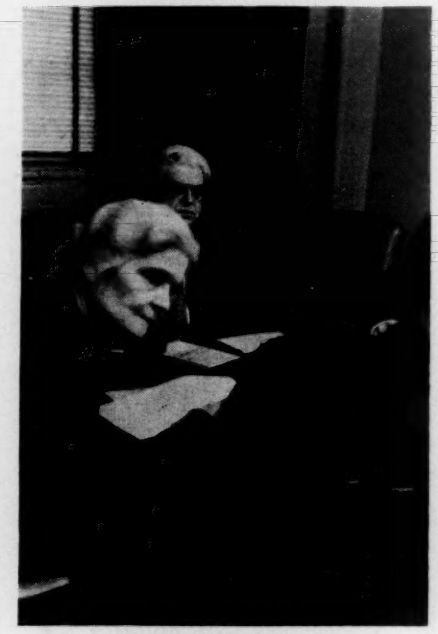
EBERHARD FABER
"puts its quality in writing"

. . . 7,000 physicians serve in welfare program

43 million dollars was paid out to provide a total of 1,605,486 days of hospitalization for 95,824 persons.

During the year, doctors made more than 1.5 million visits to hospitalized cases. In addition, specialists and outpatient clinics provided more than a million consultations for people sent to them by fund representatives for diagnosis or treatment.

The fund reports that 1,599 hospitals in 45 States, the District of Columbia and Alaska took part in the medical and hospital program. More than 7,000 physicians participated.



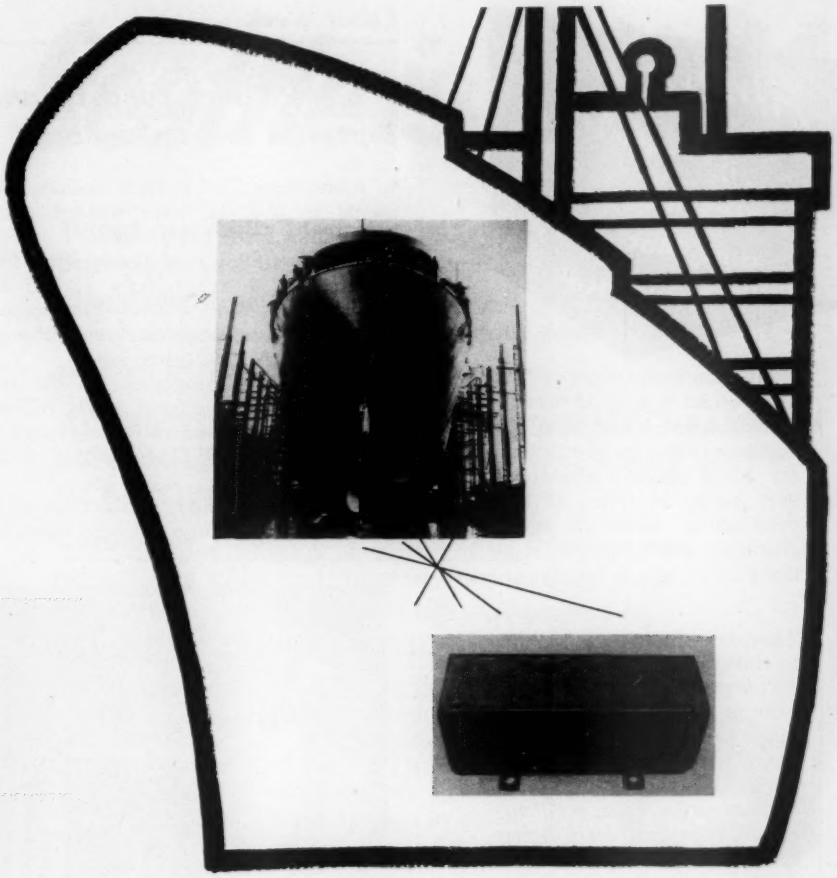
TRUSTEES LEWIS AND ROCHE
. . . industry has a voice, too

Disabled miners are eligible for the free medical treatment, but they no longer draw monthly benefits from the fund. Checks for this purpose were cut off by the trustees in April, 1954. Up to that time, a total of more than 105 millions had been paid out in cash benefits to the injured workers.

Death benefits, too. When a miner dies, or is killed in an accident, the fund pays $350 for funeral expenses, and then gives $650 to the widow and family, spread over 12 months. The trustees last year cut off certain additional payments that earlier had been made to widows.

During the nine years, total payments to widows and survivors have amounted

(Continued on page 112)



Man-made barnacles save the ship

A few Federated magnesium anodes protect ship hulls against corrosion. Installed in ballast tanks, they descale tank interiors and prevent further scale formation. Tank cleaning time is reduced. Cargo contamination is cut to a minimum. The useful life of old or new ships is extended by control of galvanic corrosion which destroys many tons of metal every year.

Federated's Corrosion Advisory Service, available to shipbuilders and ship owners who wish to install protective zinc or magnesium anode systems, is typical of the research, development and service facilities by which Federated guides users to most effective use of non-ferrous metals.

Cathodic protection is also valuable for underground pipelines or wherever underground or marine conditions contribute to the destruction of valuable metal structures. Consult with Federated engineers at "Headquarters for Non-Ferrous Metals."

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. . . Miners' fund balance tops 100 million dollars

to more than 75.5 million dollars. Payments in the last year totaled nearly 2.9 million for 8,403 people.

Another program of the welfare fund has helped to rehabilitate 12,645 disabled miners. Many severely handicapped miners have been able to resume work, in the mines or in other jobs.

All of these programs, in the nine years, have cost the fund nearly 757 million dollars. Administrative expenses for that period totaled 21.9 million, or less than 3 per cent.

How fund stands. At the close of the last fiscal year, June 30, the fund had

CHECKS BY THE BAGFUL
. . . to 59,482 retired miners

on hand a balance of $103,607,911.33. The fund's report shows that about 45 million of this was in U. S. Government bonds; about 3.4 million in common stocks, and about 37 million in bank accounts.

An additional 18 million dollars had been advanced to hospital associations set up by the UMW to build 10 hospitals in Kentucky, West Virginia and Virginia. These hospitals, to be completed later this year or early next year, will serve areas where existing facilities were not considered adequate.

Under the medical-aid program, miners are permitted to select their own physicians, and the fund pays the doctors on a fee basis. Doctors, in other words, do

(Continued on page 113)

. . . wherever he goes

Capture the most personal of all advertising space — your customer's pocket.

Whatever you select to fill this space becomes a part of him. Wherever he goes, *you're there* with a friendly reminder of you. Your advertising is first in his pocket in the morning, last out at night, round the clock, building preference for you.

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For free road maps and booklets, write: Provincial Publicity Bureau, Parliament Buildings, Québec City, Canada; or 48 Rockefeller Plaza, New York 20, N.Y.

LA PROVINCE DE Québec

. . . Latest in medical care for miners in three States

not receive salaries from the fund. The fund's medical service, which is headed by Dr. Warren F. Draper, functions in co-operation with the American Medical Association.

Once the fund's vast hospital-building program is completed, miners in three States will have the latest in medical facilities at their disposal.

Raises: In 1955, It Paid to Wait

Unions that waited until the second half of **1955** to file their wage demands appear to be faring better than those that signed contracts earlier in the year.

A survey of wage settlements, made by the Bureau of National Affairs, Inc., shows this:

- Before June, 51 per cent of the agreements gave raises of 1 through 7 cents an hour, while an additional 10 per cent granted no increases.
- Since June 1—after the auto and steel settlements—58 per cent have been for 7 cents an hour or more. In this period, 37 per cent of the contracts granted raises of less than 7 cents. Five per cent gave no increases.

A number of key industries have signed agreements with their unions since autos gave a package worth about 20 cents an hour and steel granted 15 cents an hour in wage increases. In several instances, companies rushed to settle up with unions before the expiration dates of their contracts.

Second-half pattern. Settlements reached since June 1 also have been running larger than the general pattern for last year, when raises of 4 through 6 cents were the most popular. During the first half of 1955, raises in this range accounted for 44 per cent of the contracts, but, after June 1, increases of 4-6 cents emerged in only 34 per cent of the settlements.

Increases of 7 through 9 cents were found in 17 per cent of the early agreements, against 29 per cent in those signed since June 1.

Raises of 10 through 12 cents are more numerous in the second half of the year. Eighteen per cent of the agreements are in this range, compared with 14 per cent during the first half.

Increases of 13 through 15 cents are found in 8 per cent of the contracts since June 1, compared with 4 per cent during the first six months.

Seattle is BUSY

Things are really humming in Seattle! Industries and businesses are breaking all production, sales and employment records. This activity is good news to advertisers who want to sell their products and services in the Seattle market.

•

ADVERTISERS FIND THAT FREQUENT, HEAVY SCHEDULES IN THE SEATTLE TIMES PAY OFF! *ACT NOW FOR FALL.*

•

Circulation, Advertising Leadership: Readers and advertisers alike continue to demonstrate their confidence in The Seattle Times—as proved by these media records and ABC figures:

During the first six months of 1955, The Seattle Times linage ***gain*** over the same period in 1954 was 1,850,683 lines. The second newspaper's gain was only 654,252 lines. The Seattle Times dominated the daily newspaper advertising field with 60% of the linage offered. In daily circulation, The Seattle Times this year leads the second newspaper by 25,028 compared with 16,140 a year ago.

The Seattle Times

SEATTLE'S *ACCEPTED* NEWSPAPER

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IKE OUTLINES HIS POLITICAL CREED

Government Should Do Only What Individual Can't Do for Himself

Just how, basically, does President Eisenhower approach the problems of government and of politics?

The President has his own ideas. He detailed them in an informal speech to Republican State chairmen in Denver—and added some advice on how to win elections.

Government, he said, should do for the people only those things that the individual cannot do at all, or do so well for himself.

In the speech he also questioned the wisdom of tying the party's future to one man, because, he said, men are mortal.

Here, in his own words, are his ideas.

Following is an extract from President Eisenhower's address to State chairmen of the Republican National Committee, delivered in Denver, Colo., Sept. 10, 1955:

What strikes me is this: Governmental service is the temporary privilege of some people. But what you are doing is exercising the inherent right and performing the basic duties of citizenship. Every citizen owes it to himself and his country to participate individually or, of course, through a political organization, in making certain that our country goes in the direction that conforms to his ideals and hopes for that government—for that country.

Now, if you will forgive me, instead of jumping into farm problems and Geneva problems, and things of that kind, which are discussed interminably, I am going to talk just a little bit of philosophy this morning—political philosophy. That is because of a very deep and abiding belief that if a political party is not held together by a common faith, a common conviction, in certain fundamentals, then it is not a true political party, but it is merely a conspiracy to gain power.

If we are not held together by a cause, then we are not making of ourselves an agency to help the United States of America. It is merely another form of gaining distinction for ourselves, to get ourselves a pat on the back and to appear important.

Now, the text I am going to take is one with which you are completely familiar. You have all used it a thousand times. But whether or not we have stopped to think sufficiently of what it means is another story.

Lincoln concluded his Gettysburg Address: ". . . that government of the people, by the people and for the people shall not perish from the earth."

The first thing I want to bring out is that he recognized that the possibility of this type of government perishing is always with us. And it is still with us.

The experiment in free government that was started by our founding fathers is still going on, and it will go on to the end of time, because the law of change is the law of life. No established philosophy or doctrine set up in 1787 could possibly apply in its detail today as it did then. It will be the same a hundred years hence.

"Of the people." Just exactly what do you think of when you say, "government of the people"?

I think, in a simple sort of way, we could say "of the people" doesn't mean a government of farmers, of labor bosses, of smart politicians, of businessmen or of anybody else. It means a government of all types and classes of people, regardless of race or color or religion or everything else that tends to separate us in our social and ordinary lives. It means a government which, in its whole constitution, its whole concept and its aims, takes in the thoughts, the purposes, the ideals, the aspirations and the problems of today and 165 years ago.

And "by the people." "By the people" really means that every individual is participating in that government. Remember, Lincoln defined this government in three ways: "of," "by" and "for," implying that if the people did not exercise their right to govern, it shall perish from the earth.

In the national elections, something like a little over 50 per cent of all qualified electors vote, and in State and local elections, I am told that it is frequently as low as 25 per cent.

Well, government by the people would seem to be not flourishing as well as it should. Some politician some years ago said that bad officials are elected by good voters who do not vote.

If we are going to have government by the people, then the man who is trying to exercise his rights and duties as a citizen makes certain that others are voting—not only in order to promote the fortunes of his own political life, but to make sure that this type of government shall not perish from the earth.

Now, what did he mean by "for the people"?

It seems to me here is one of the tall riddles of free government. "For the people": We have seen the phrase tortured by demagogic types to mean that an overwise and overbusy governmental bureaucracy takes over all the functions of living. They say, "Now, go on, boys, do just what you are told and we will take care of the 165 million people." And they tortured the general-welfare clause of the Constitution.

I don't believe that is what Lincoln meant at all. If we are for the people, which means for the individual as such, we go first to the 10 first Amendments of the Constitution—to the Bill of Rights. That was written for the people. That Bill of Rights does not guarantee to each of us a profitable living. It guarantees to each of us an equal opportunity with all others

. . . Republican Party: "moderate progressive"

to earn our living for ourselves and for our families, and to protect our future.

We could discuss further what we mean by "for the people," but I refer to another quotation of Lincoln's, which was generally to this effect: The function of government is to do for the people what the individual cannot do at all, or do so well for himself, and in all those things which the individual can do for himself, the government ought not to interfere.

Now, I think today that is as good a presentation of the Republican case as I know how to make. It puts it in terms and in words that all of us not only understand, but which we can make others understand.

In attempting to summarize the philosophy of the Republican Party, I myself have sometimes used such phrases as "moderate progressive" and "dynamic conservative," because we want to be known for what we are, the party of progress. And if we are the party of progress, we must be the party of peace and prosperity, because this is implicit in the term "progress." But I don't believe that you can sloganize the kind of honest philosophy that the Republican Party is trying to promote in the United States. If we can live by that philosophy, however, then I think we have proved our worthiness to be the instrument through which the people of the United States carry on the job of government—of the people, by the people and for the people. And representative government shall not perish from the earth.

We have a great cause for which to fight. Possibly this matter of cause, something in which you believe, is deeper with an old soldier than it is with some. In the military life you are required to study whole campaigns, the careers of leaders—how did they think, how did they produce the things they wanted?

One man who always attracted me because of his military career, rather than anything else, was old Cromwell. Cromwell's army had the sternest and toughest discipline of any army that I know of in the world. It had been the belief that, if you had that kind of discipline, you couldn't have enthusiasm. But he had it. He sent his Roundheads into battle singing hymns and chopping off the heads of Cavaliers. Why? Because they believed in something. He told them, "By golly, if you are going to fight under the Roundheads you will go straight to Heaven"; and whatever your desires were, you got them. He taught them to believe in something.

Now, what I am trying to get at is: How do we get hold of something that we believe in so much that it shines in our faces every time we say it to anybody else?

It is not only what we believe. It is what we believe we live for. We say, "For God and country." Our country was organized and defined, when you come down to it, on a very fervent and firm, basic religious faith. Our founding documents maintained the only way you could explain our form of government was because "man was endowed by his Creator." On this principle our cause is founded.

How do we convince the people that we are for a cause? How do we go about this thing, believing in it as fervently as we do? How do we get the people to accept it and put into power the people who will exemplify and practice that kind of doctrine?

Well now, again you will have to let me go back to the military. After all, I have been in it much more than I have the political. Before every great battle, the commander gets together his corps commanders. This group here this morning numbers 48. I suppose it would be about comparable to the number of corps commanders I had, finally, in the European campaign.

Now, to the corps commanders, the commander explains his plans. Everybody is indoctrinated. It is supposed to be a very useful performance.

But, gentlemen, could you imagine a battle—and some of you here in this room were probably in the very campaigns of which I am talking—if the commanders all knew everything about what was going to be done, and they were all doing it, and they were all dedicated, and it started on down from there and finally got down to where there wasn't a corporal in the whole business that knew his job? You will forgive me for using military terms. Getting this information through the ranks is the corps commander's job.

Now, in volunteering for the work you have undertaken, you have undertaken one of the highest forms of duty which an American citizen performs. You are also taking on the

—Wide World

"DON'T FORGET THE VALUE OF A GRIN"—The President demonstrates to Republican State chairmen, with House Campaign Chairman Simpson (left) and National Chairman Hall (right), at Denver

. . . "The Republican Party is not dependent on one man"

tough job, just like a corps commander in battle, of making sure that his organization is ready to carry the fight right down on through. In your case, that means from the State chairman to the district chairman and the precinct chairman and all the workers in the ranks—and to each individual.

Unless you can take the fervor that you have, and carry it back to your State, and conduct the same effective campaign schools there—make sure that the spirit and know-how is going right on down through—it is all in vain. If you do the job right, it is government by the people. Let's emphasize people, not just us—not just a bunch of politicians seeking office. By the people!

So the object in the organization of a political party comes down to: How can I get to the last man living in my block, my apartment house? How can I get to him? Well, if you can get to him with your conviction, with your belief, with your fervor, with the leadership that you have exhibited by getting where you are today in this organization, you can win any election in the country. You can go down and reach that 50 per cent of people who do not vote, and get them to believe in some of the things that you believe in your own heart. The thing is done.

And, incidentally, while I have been forbidden to mention this subject by your Chairman [Leonard W. Hall, National Chairman of the Republican National Committee], I will bring up for a moment the question of one man and one man's value.

Now, I just want to point out to you that I greatly appreciated your telegram, particularly where you said, "I like Ike more than ever." May I return the compliment and say that, when I see these faces before me, I like the Republican Party more than ever.

But we don't believe for a minute that the Republican Party is so lacking in inspiration, high-quality personnel and leadership that we are dependent on one man. We don't believe it for a minute.

Now, as long as we have a man in the leadership position, why, of course, as a party, we are going to be loyal, we are going to help in the fight.

But humans are frail—and they are mortal. Finally—you never pin your flag so tightly to one mast that if a ship sinks you cannot rip it off and nail it to another. It is sometimes good to remember that.

"Everybody Get a New Recruit"

So I suggest that as a party everybody on down the line pledge to get a new recruit—a youngster—and make him a member of the party. Now, if you will carry that idea far enough, making each party member a vote seeker as well as a voter, you have got elected a President of the United States.

The job of getting people really wanting to do something is the essence of leadership. And one of the things a leader needs occasionally is the inspiration he gets from the people he leads. The old tactical textbooks say that the commander always visits his troops to inspire them to fight. I for one soon discovered that one of the reasons for my visiting the front lines was to get inspiration from the young American soldier. I went back to my job ashamed of my own occasional resentments or discouragements, which I probably—at least I hope I concealed them.

The young American in action is something to inspire anybody. If you get these young men of zeal and vigor, pep and tireless energy, get them on your side and get them to going, you just have to keep a light rein on them, you don't have to use a spur or whip.

Let me give you a very quick application of this principle of getting young recruits. If you get a recruit my age—I am lucky if I can vote in two presidential elections. But if you get a recruit at 21, he can vote for you in 12 or 15. You can build for the long pull if you get the real youngsters.

Now, gentlemen, I know you have discussed the problems—domestic and foreign—of the times. They are important. The National Committee will continue to give you literature that analyzes and shows what the Administration is trying to do, working with the leadership in the Congress, to bring these things about. All those things will be coming to you. That is ammunition for your guns, to show that you are working for the people, and that the party is of the people, and you are trying to get that kind of thing done by the people.

But, underneath it all, just remember that the cause for which you are working: to make certain that government is to do for the people those things which they cannot do themselves, or so well do, but we are not going to interfere with those things which are the proper province of the individual. With your other ammunition, you have got something that you can carry to the voters with a grin on your face. And, for Heaven's sake, don't forget the value of a grin. Pessimism never won a battle.

"No Hopeless District"

One more point: There is no such thing as a hopeless State, or a hopeless district. They are Americans, aren't they? The harder the fight in your State, in your district—wherever it is—the harder you ought to fight. You don't go into a battle and say to one division or one corps, "Oh, we don't care if you fight. Just stand there. That's all right. We know it's pretty tough stuff over there." You get everybody to operate for a common objective.

If you just increase the Republican vote by, let us say, 15 per cent over what it was before in these difficult localities, you make the Republican Party that much more respected there, and you increase the prospects of State victories.

So I just ask each one, don't believe in political defeatism. We have got a positive program, to develop, exploit, exemplify the philosophy that Lincoln taught us. That is the positive thing. That means not merely in Kansas, or Pennsylvania, or Colorado, or anywhere else—but throughout the U.S.A.

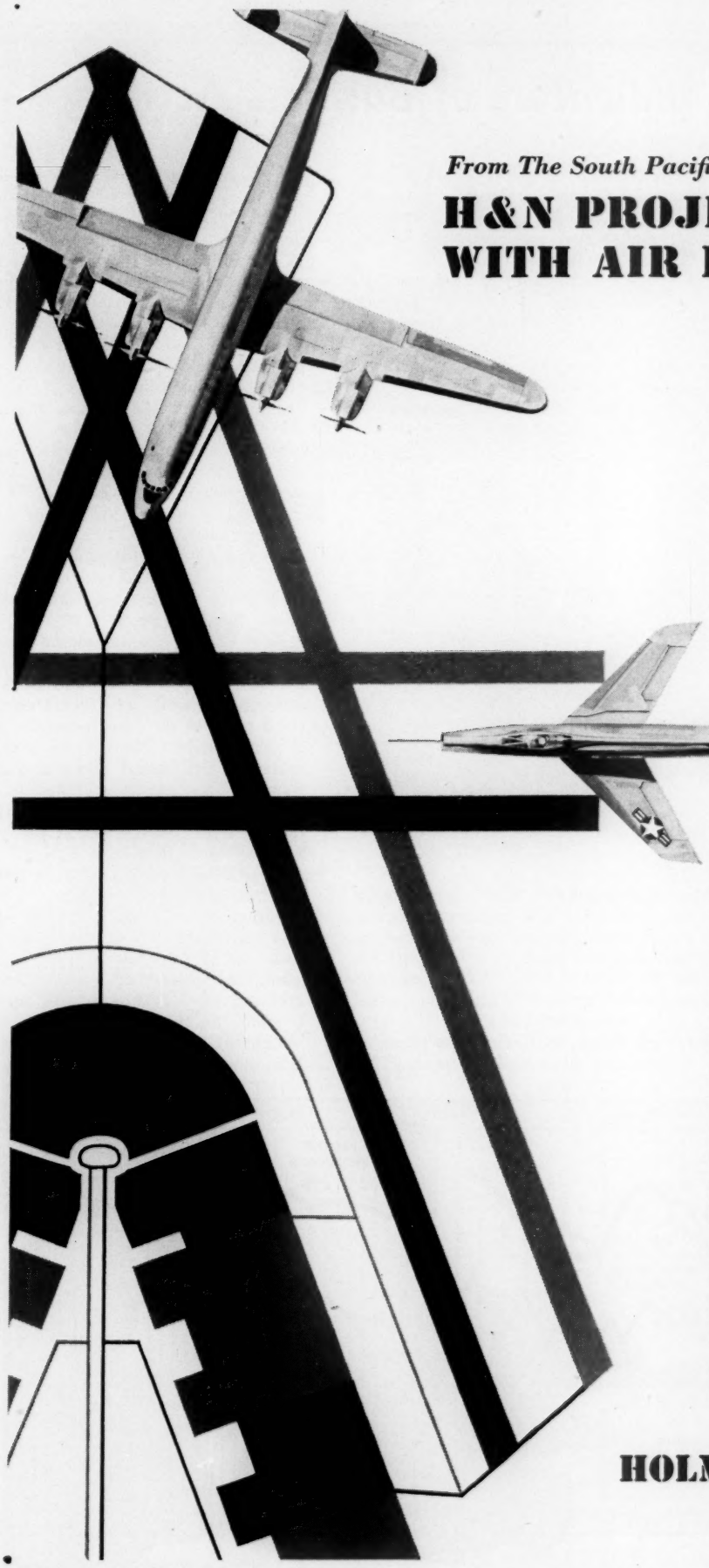
Again, gentlemen, I refer to the telegram you sent me, and your expression of confidence.

To fail to say that I am complimented by such action on your part, fail to say that I am grateful, would be inexcusable. Of course I am. Any American would like to think that he has the confidence of his fellow Americans when he is trying to do a tough job. But, again I say, this country, this party, is not only big—it overshadows every individual and any individual in it.

We must set as a goal the extra 15 per cent of recruits that we need—and are going to have—to make this party a perpetual agency for carrying out the kind of doctrine that Lincoln taught us, for the benefit of our children and all our grandchildren.

I overlooked one thought: your attention to the character and quality of your candidates in every district. I mean not only Presidents and Vice Presidents, particularly—but gubernatorial, senatorial, congressional candidates—right on down.

Did you ever stop to think how important it is to a man to know who his councilman is going to be, or the type of man running for mayor? If the councilman is a personable and fine fellow, with a lot of vigor and ability, and you get him out where people can see him, I would say that that would be reinforcing and an implementation of your leadership that would be most effective in the State and national contests.



From The South Pacific to The Continental U.S....

H&N PROJECTS KEEP PACE WITH AIR PROGRESS NEEDS

Holmes & Narver's 16 years of extensive experience in aviation facilities includes every engineering design and construction service on complete airfields: site selection, master planning, drainage control, specialized assembly, testing buildings and advanced design of airstrips. The engineering staff is equipped to handle projects in the newer, largely unexplored areas of modern flight—such as high pressure test cells.

Scope of Operations: For the past six years and at the present time, Holmes & Narver has been the engineer, constructor and operator of the U.S. Atomic Energy Commission's great Pacific Proving Grounds. Included is every element of engineering and construction required, as well as the vital factors of procurement and logistic support.

Industrial Projects: For Douglas at El Segundo—engineering, controls lab and mock-up buildings. For Hughes at Tucson—engineering of guided missile testing, storage, assembly and checking facilities. Design and construction of the Bendix Engineering and Lab Building in the San Fernando Valley, California... plus many other specialized jobs.

Whether you plan to expand existing facilities or build "from the ground up"...you are invited to call on Holmes & Narver.

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PLUS & MINUS
Latest Indicators of Business Activity

Business activity is making new gains, aided by a vigorous rise in business spending for new plant and equipment.

Railroad carloadings were 17.5 per cent above a year ago in the week ended September 10, the widest margin of increase this year. Loadings of manufactured goods were up 12.8 per cent. There were gains of 77 per cent for coke, 66 for ore, 16 for lumber, 21 for coal.

The steel industry, a large consumer of ore and coal, in the week ended September 17 scheduled output at 95.1 per cent of capacity, highest since June 18. Steel demand continues heavy. Order backlogs keep growing.

The price of steel scrap, often a barometer of future steel output, rose to $44.17 per ton in the week ended September 10, up 34 cents to a level 50 per cent above a year ago.

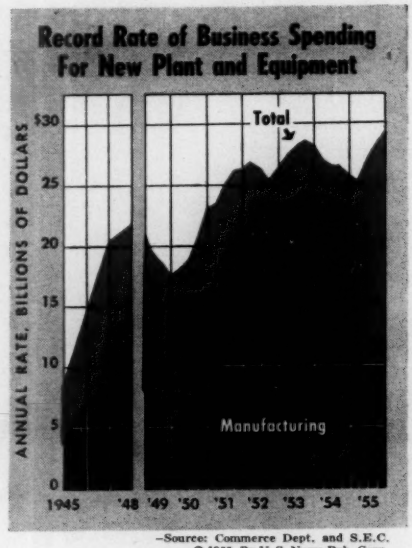
Factory output stands at 143 on the indicator, a record high.

Department-store sales held at 11 per cent above a year ago in the week ended September 10.

Builders started new homes in August at a rate of 1,304,000 per year, 8 per cent above July but still below the rate in each earlier month this year. Full impact of recent stiffening in terms of mortgage credit is not to be felt for several months yet.

In the auto industry, the cleanup of 1955 models held by dealers is going along at a faster rate. Dealers sold 659,000 new cars in August, then maintained the same high rate in the first 10 days of September. Manufacturers, according to Ward's Reports, Inc., turned out about 85,000 cars in the week ended September 10, lowest output this year. Dealer stocks of new cars shrank by 80,000 in the first 10 days of September and are now well below 600,000, by industry count.

A rebound in the rate of auto production will begin in October as producers hurry to stock dealers with 1956 models.



—Source: Commerce Dept. and S.E.C.
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The labor market is gradually taking up the little slack that remains in it. Insured unemployment has continued to fall since the week ended August 13. In that week, total U. S. unemployment was down to 2.2 million, lowest since September, 1953.

Business firms, meanwhile, are planning to buy new plant and equipment at a record high rate. As the top chart shows, expenditures will reach a rate of almost 30 billion dollars per year in the fourth quarter of this year. That is 16 per cent above the rate in the first quarter and 3 per cent above the previous peak, which came in the third quarter of 1953.

Optimism of businessmen has been fed by this year's sharp rise in sales and profits. Manufacturers' sales in the first seven months of this year ran 10 per cent ahead of last year. Expectation of manufacturers, reported early this year, was that 1955 sales would top last year's by 4 per cent.

Spending by manufacturers for plant and equipment will be at a rate of more than 12 billions per year in the fourth quarter. That will be 18 per cent above the first quarter but a bit below the 1953 peak.

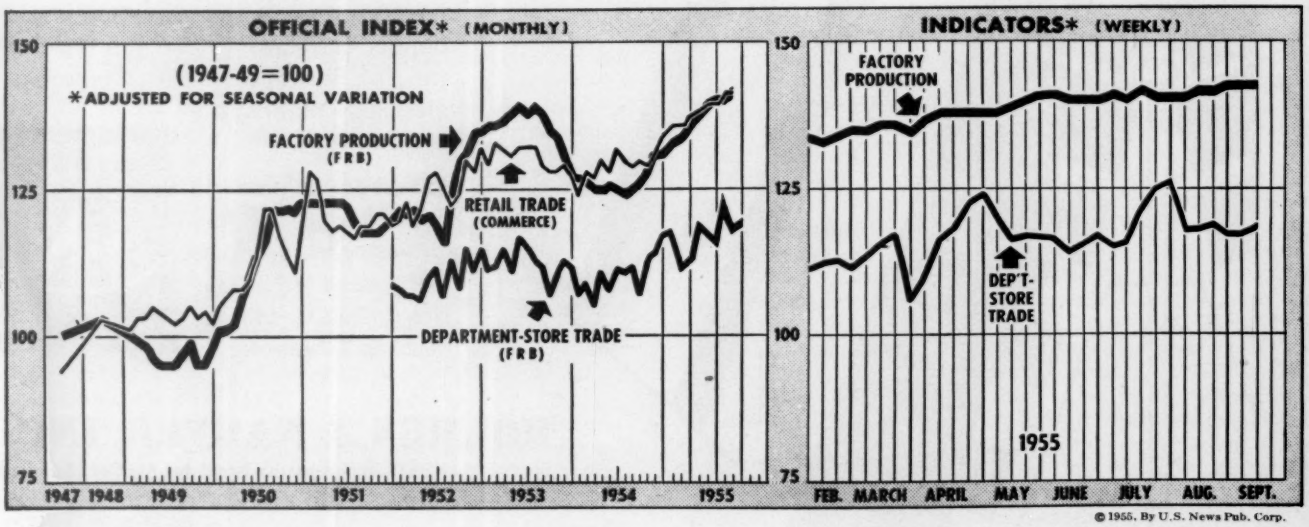
Sharpest gain among manufacturing industries will be in those making hard goods. Producers of iron and steel and nonferrous metals will spend about a third more in the fourth quarter than a year earlier. Makers of building materials will spend about a quarter more.

Railroads will lift their spending to a rate of more than a billion per year, up two thirds in a year.

Public utilities will spend at a rate of 4.7 billions, up 17 per cent.

Commercial and miscellaneous firms will spend at a rate of 9.5 billions per year, up 12 per cent.

Expansion outlays of business are increasing jobs, adding to the flow of income. Such spending is giving a strong lift to total business activity at this time.



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If This Hotel Can Save 40% Of It's Printing Costs How Much Can YOUR Company Save?

Vari-Typer®

.....provides changeable print-style type for all duplicating and printing needs

The *Golden Gate's* daily printing needs—such as forms, menus, beverage lists, guest notices, etc.——are quickly and economically produced right in the hotel offices. A *Vari-Typer*, operated by an office typist, provides all the reading matter in a variety of popular faces and sizes of professional print-style types. Copy is automatically squared up and spaced out while the typist operates the machine in regular typewriter fashion. The entire job is then run off on an office offset duplicator giving the hotel a plentiful supply of attractive printed material——and——at the same time——*slashing costs almost in half!*

Applying the same simple method to your printing problems how much can *you* save? We'll be glad to tell you. The coupon will bring details.

RALPH C. COXHEAD CORPORATION
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Please send VARI-TYPER Booklet C-42

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COMPANY.....

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CITY.....ZONE...STATE.....

Gleaming ribbon of galvanized steel

The long vertical ribbon of freshly galvanized steel that you see here, sparkling in its bright new coating of zinc, may turn up later on in any of hundreds of everyday uses. In the ductwork of your air-conditioning system, perhaps, or your new rural mail box, or the sprinkling can you buy at the local hardware store.

This is something really special in galvanized steel, for the zinc coating has been put on by the continuous method. Continuous galvanizing is a long step ahead of the process in which men placed the sheets by hand in a conveyor that carried them through the molten zinc.

In the continuous method of galvanizing steel, which is now rapidly displacing the hand process, the steel moves through the molten zinc continuously, as an endless ribbon.

Continuous galvanizing is more efficient and gives a better product. We use the name Bethcon to designate sheets galvanized in this way. You can always tell a Bethcon sheet by its brighter coating. The coating is more uniform, too, spread evenly all the way across the sheet, and sticks tightly to the steel, so that it doesn't crack or flake off under fabrication in the sheet-metal shop.

BETHLEHEM STEEL

BETHLEHEM STEEL

Trend of American Business®

24th and N Streets, N.W.
Washington, D.C.

Business is entering the autumn season under a full head of steam.

New records are likely to be made before the year is out in production, income, profits and employment, but future gains probably will be modest.

The boom is not expected to go much above current levels.

Output of industry hit a new high in August, after allowing for the usual seasonal changes. Further gains are in sight for September.

Total production, measured by the Federal Reserve index, hit 140 per cent of the 1947-49 average. That's a gain of 1 point over June and July.

Compared with a year ago, production is up nearly 14 per cent.

The boom, moreover, is very widespread. Nearly all industries now are turning out goods in considerably higher volume than a year ago.

Biggest gains for August show up in producers' equipment. That includes machinery, tools and presses used by industry itself.

Equipment market is bound to be good for months to come. The expansion programs already launched are a guarantee of that.

Further increases in output, from present levels, are due in steel and in autos. Steel production is edging close to capacity. Auto manufacturers are planning on a large volume later in the year.

All in all, output of plants that make "durable goods"--autos, home equipment, machinery--is put at 158 per cent of the 1947-49 base.

Soft-goods industries held production high through the summer, too. That includes textile, clothing, chemical, paper and petroleum industries. As a group, these industries are turning out a record volume.

You can see what sparks production by a look at retail sales.

The American people now are spending about 1 billion dollars a month more than they were spending last year. Business never has seen such demand.

Retail stores took in 15.4 billion dollars in August. That was about the same as sales in July, but marked a 9 per cent advance over a year ago.

Sales gains are biggest, compared with a year ago, for automobile dealers, furniture and appliance stores, and general-merchandise stores. But all kinds of retail stores are selling more goods.

Outlook points to the largest autumn and winter selling season on record. People obviously are in a buying mood. And their incomes are rising.

Prices are being pushed up by rising demand for materials.

Wholesale-price level for commodities, other than farm products and foods, hit an all-time high in August. The Labor Department's official index puts this group at 117.4 per cent of the 1947-49 average. Previous high was 117.3 per

(over)

Written for the issue of September 23, 1955, Volume XXXIX—No. 13
U. S. NEWS & WORLD REPORT

cent in March, 1951, during the Korean war.

Price rises from a year ago have been largest in rubber and metals, but they have been substantial in lumber, building materials, paper and machinery.

Farm prices are holding the general wholesale-price level down. They dropped again from July to August and are down 8 per cent from a year ago.

Processed foods also are down in price at wholesale. They dipped 1.2 per cent from July to August and are 4.2 per cent lower than a year ago.

Price trend would be definitely upward if it were not for the large volume of farm production and the existence of huge surpluses.

Government is moving to ease the copper shortage a bit. This metal now sells at an all-time high price and world demand is strong.

Defense stockpile will release 11,000 tons of copper that had been set for delivery in October-December. Industry will get the metal.

Latest release is in addition to another 26,000 tons on which delivery had been postponed earlier and rescheduled for late 1955 and early 1956.

None of this copper ordered for the stockpile now has to be delivered to the Government until Sept. 30, 1956.

Government, on the other hand, is moving to curb imports of oil.

Congress, in extending the Trade Agreements Act, suggested that petroleum imports should be held to the same proportion of domestic production as in 1954.

Imports, however, have forged ahead. Government officials find that the volume of imports has climbed 15 per cent so far this year, while output of crude oil in the U.S. has increased only 5 per cent.

Defense Mobilizer Arthur S. Flemming thus has called upon 18 oil firms for suggestions to correct the situation. Mr. Flemming's request suggests that, if voluntary curtailment is not proposed, Government will have to act.

Forecasts of industrial growth now include the aviation industry. Here is what the Civil Aeronautics Administration pictures for 1965:

Air transport will have 50 per cent of the common-carrier market. The current share is 29 per cent. Coach service and use of helicopters will expand.

Domestic airlines will carry 70 million passengers by 1965. That is more than double the number of paying passengers carried in 1954.

Overseas airlines will carry 6 million passengers against 2.8 million.

Air cargo will expand to three times the 1954 volume.

Business flying, by companies and individuals, will expand tremendously.

To carry this traffic load, CAA figures that aircraft manufacturers will deliver 400 large civil transports to airlines in 1965. Deliveries of smaller craft in that year, for executive and utility use, are put at 6,000.

The forecast assumes that general business activity also will continue to expand into 1965 and that population trends will keep on.

Meanwhile, another Government agency adds its force to curb the boom.

Federal Home Loan Banks are directed by the Home Loan Bank Board to tell member institutions not to borrow from Home Loan Banks to increase loans.

Purpose of this move is to limit mortgage loans of savings and loan associations to the amounts these firms get from people's savings and repayments on past loans. It's part of the general policy of tightening credit.

792 million gallons of water in 11,000 hours at a fuel cost of $4.74 per million gallons . . .

that's Chrysler V-8 economy and performance

Tom Bostic of Plainview, Texas watches the performance of his Chrysler V-8 powered Green Irrigation Pump. This is the first Chrysler V-8 powered irrigation pump installed by Green Machinery Company. It was placed in service on Bostic's 320-acre farm in April 1951. Now into its fourth year, the original pump and Chrysler Industrial V-8 331 cubic inches displacement engine have delivered an average of 1200 GPM for 11,000 hours for a grand total of 792 MILLION gallons of water. In irrigating his cotton, wheat and grain sorghum, Bostic burns butane fuel, his Chrysler Engine using 5¼ gallons of butane per hour. Priced at 6½¢ a gallon, it has cost him $3,753.75 to produce this amazing volume of water. In that time he has irrigated four crops each of cotton and grain sorghum and eight crops of wheat.

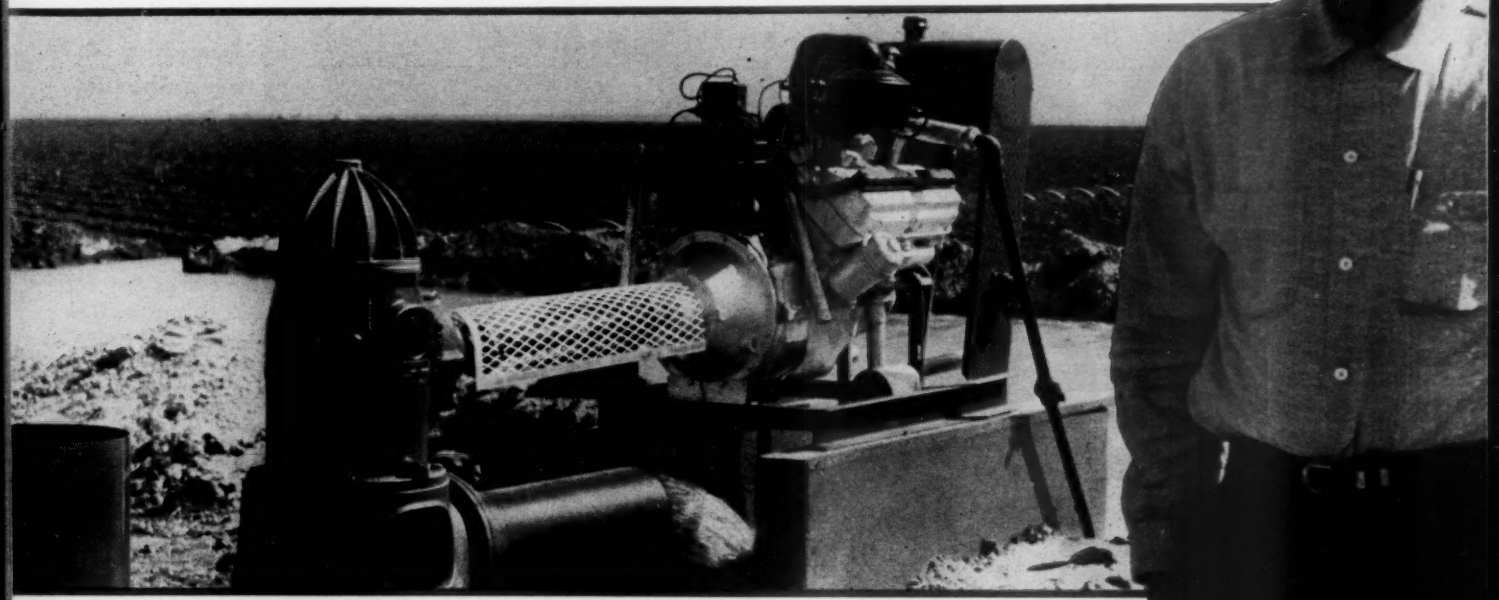


PHOTO COURTESY GREEN MACHINERY COMPANY, PLAINVIEW, TEXAS

How's that for a sample of Chrysler performance *plus* economy? With a comparable diesel-powered engine at the present cost of diesel fuel (14½¢ a gallon), it would have cost this grower *more than twice as much to produce that much water.*

Then, if you compare first costs, you find a Chrysler Industrial V-8 Engine costs less than one-half the cost of comparable diesel power.

Chrysler Ind. 56
331 cubic inches
Displacement Engine

Leading deep well turbine pump manufacturers, like Green Machinery Company, offer Chrysler Industrial V-8 Engines as standard power in their units. They know they can depend upon Chrysler Industrial Engines to deliver the kind of power that breaks records every day.

Regardless of the fuel of your choice, gasoline, butane or natural gas, you can expect the best from Chrysler . . . best economy . . . best performance . . . best dependability. Ask a Chrysler Industrial Engine Dealer for details on Chrysler Industrial Engines, 230 to 413 cubic inches displacement, or write for catalogue: ***Dept. 49, Industrial Engine Division, Chrysler Corporation, Trenton, Michigan.***

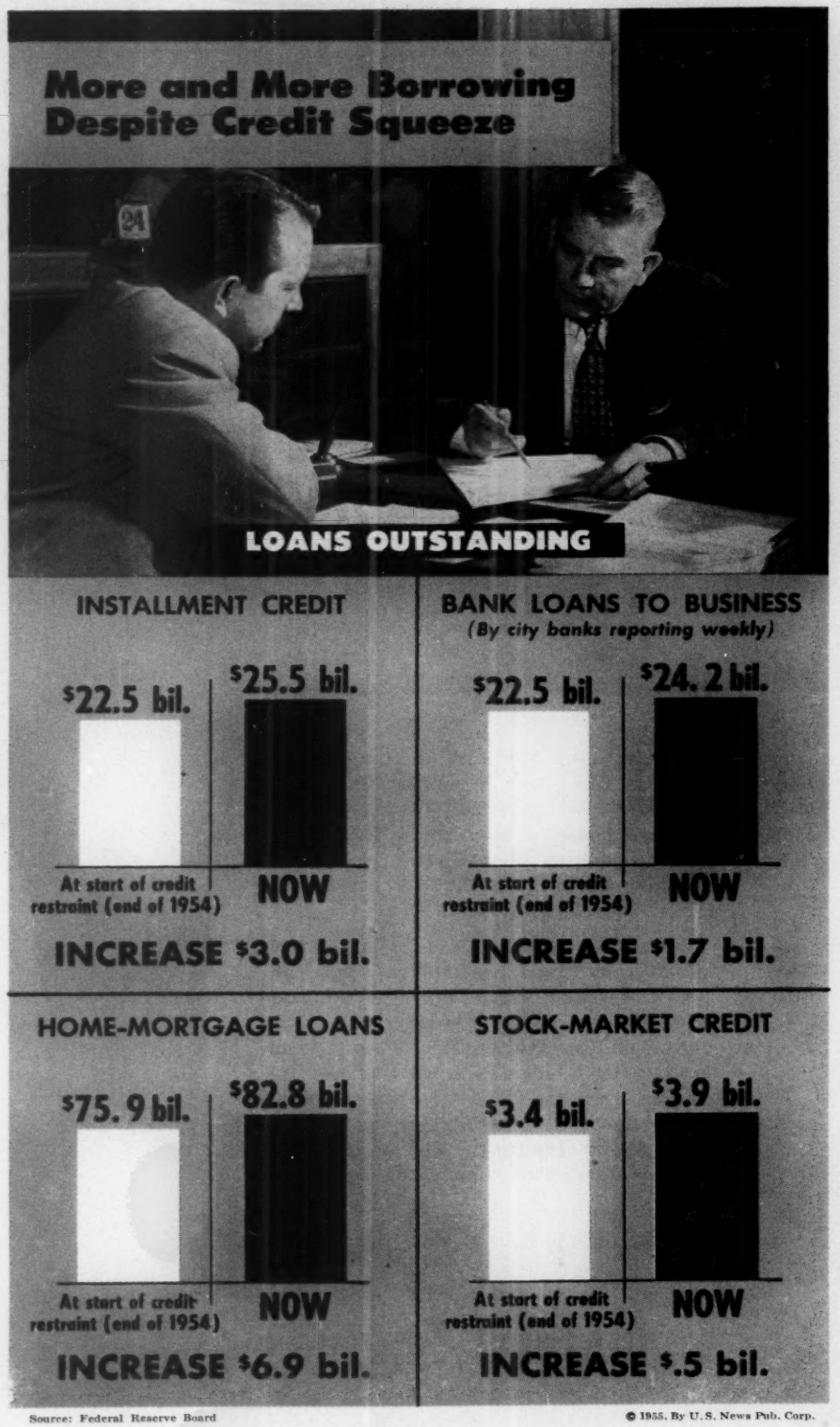
CHRYSLER
Industrial Engines

INDUSTRIAL
ENGINE DIVISION
CHRYSLER
CORPORATION

HORSEPOWER WITH A PEDIGREE

ARE BOOM CONTROLS FAILING?

It's Still a Question—Loans Keep Rising



Source: Federal Reserve Board

A critical point has been reached in Government's campaign to slow down the boom.

So far, the drive to head off inflation has had but limited results. People are spending tomorrow's income as enthusiastically as ever.

Officials must decide if more drastic action is needed.

There is nothing in the attitudes of people, or of bankers pressed to lend money, to suggest success as yet for the Government's effort to put brakes on the boom.

Those who shape Government's money policy set out early in 1955 to slow the rate of increase in the use of borrowed money. In the months since, they have moved through several stages designed to make it harder and harder to borrow.

Yet credit, up to now, continues in a strongly rising trend.

People have gone billions of dollars deeper into debt since the money managers decided that lending was too rapid. The price of money—in interest—has been raised for many types of borrowers. Terms on loans are harder to meet. Apparently, however, people are willing to meet any terms to get what they want.

The story in business is much the same. Bank loans to business have been expanding at a great rate for months.

Borrowing to build—homes, stores, factories, schools—is proceeding at a faster pace all the time. Latest reports show people taking on home-mortgage debt at a rate half again as fast as in 1954—the record year, until now.

It is only in the buying of corporation stock that you find evidence of real success in official efforts to check spending on the cuff.

What officials want. There is some indication that money managers are not really unhappy about recent rates of borrowing. Officials feel that what they have done so far has been effective in heading off a still greater rise in borrowing than otherwise would have occurred.

The boom, moreover, has to be kept going. With an election year coming up, there's no official disposition to reverse the boom.

(Continued on page 126)

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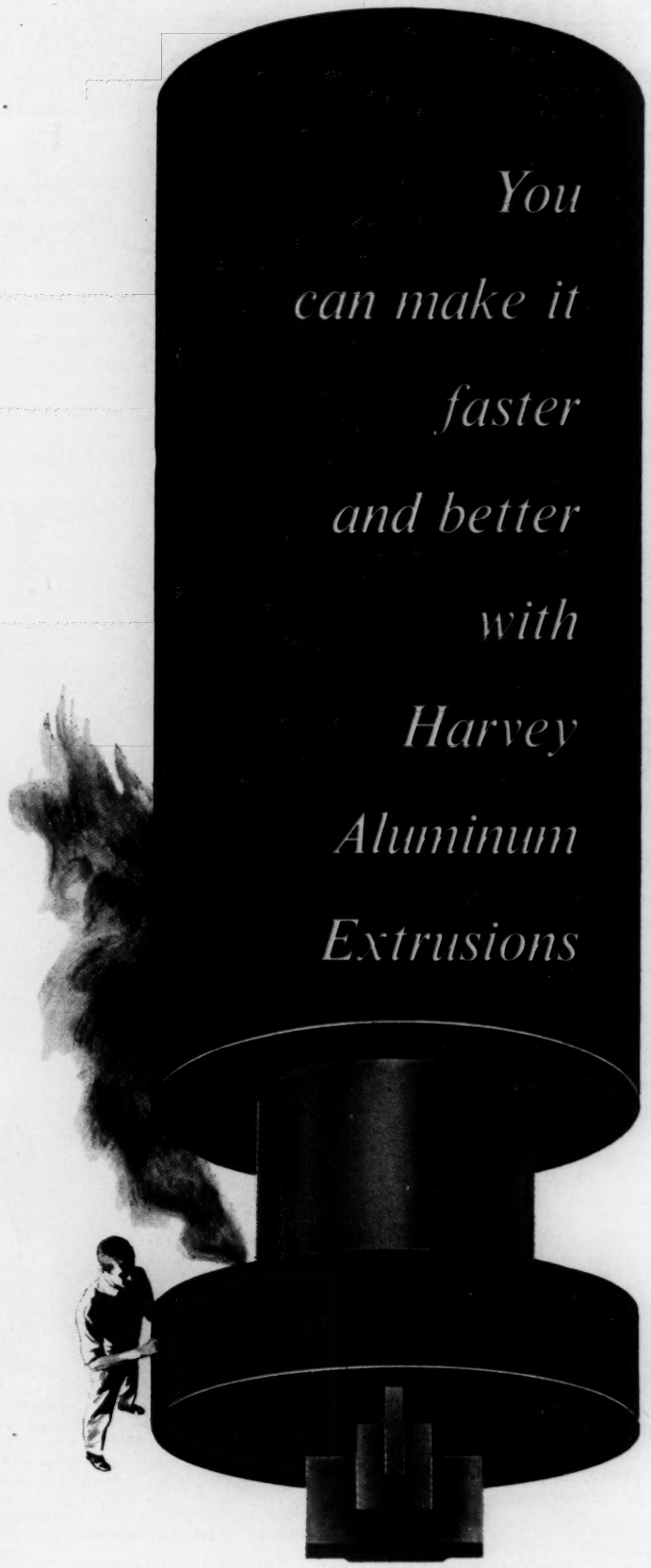
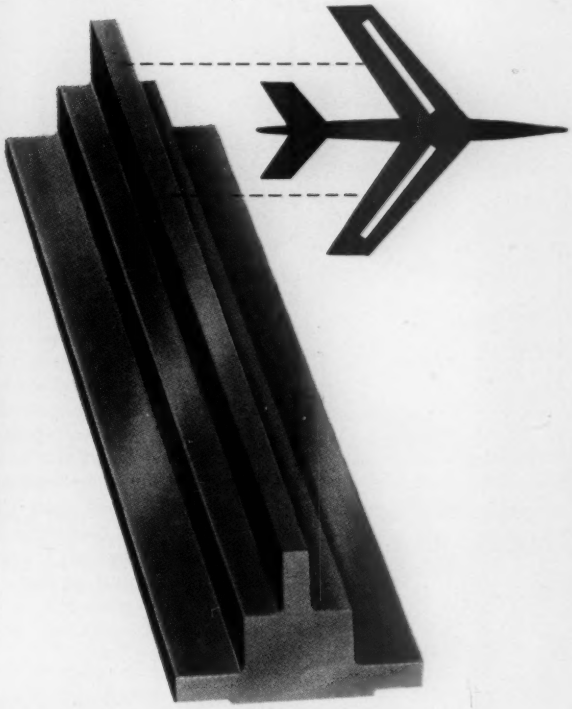


Here's how Harvey Heavy-Press Extrusions save countless hours and tons of metal for America's industry. By forcing an ingot of aluminum through a die under heat and tremendous pressure, a part is produced in the exact cross section called for. To form the same part (e.g. this wing spar) from solid aluminum bar would take hours of machining, and most of the metal would end as scrap. There's a vital additional benefit, too: extruded parts are sounder and stronger than either machined or fabricated ones. It's one way Harvey helps the aircraft industry get more planes . . . and *better* planes . . . in the air in less time.



MAKING THE MOST OF ALUMINUM . . FOR EVERYONE

HARVEY Aluminum

HARVEY ALUMINUM SALES, INC., TORRANCE, CALIF.
BRANCH OFFICES IN PRINCIPAL CITIES

Harvey is a leading independent producer of aluminum extrusions in all alloys and all sizes, special extrusions, press forgings, hollow sections, structurals, rod and bar, forging stock, pipe, tube, impact extrusions, aluminum screw machine products and related products. Also similar products in alloy steel and titanium on application.

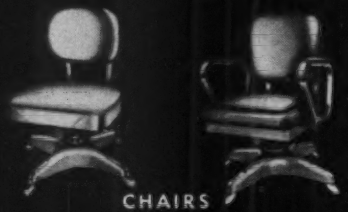
ASE

Steel Office Furniture

BETTER BUILT FOR BETTER BUSINESS

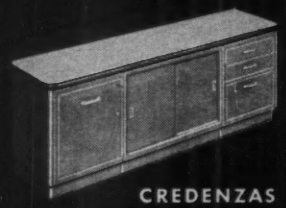
DESKS

Smartly styled...quality built. Easily converted to suit the work needs.



CHAIRS

Quality office chairs styled and built for comfort. Swivel, Side, Arm and Posture types for every office need.



CREDENZAS

Solve your executive office storage problems with these dignified, attractive units. Custom-built for you.

FILES

Step up office efficiency. Drawers open and close easily and quietly. Sizes and types for every filing need.

•

Write for complete information and name of nearest dealer. Simply write your name and address in margin below and attach to your letterhead.

ALL-STEEL EQUIPMENT INC.
Aurora, Illinois

. . . Some economic officials want tighter credit controls

Yet there's the gnawing doubt as to whether official actions have yet been decisive enough to head off inflation. There still is a tendency to lean toward tighter controls on borrowing, to scarcer and more expensive money.

Past experience points in that direction. Earlier efforts to stem booms indicate that, if businessmen—or the public, or banks—fight against the money-managing Federal Reserve Board, the result could be still tighter restraints that might upset a business boom. Official hope is that people generally, and bankers particularly, will co-operate and accept official warnings.

Officials find, however, that when people expect money to get still tighter and more expensive they often are inclined to rush out and borrow while they can.

Two firm decisions appear to have been made by officials.

First is that the Administration will do whatever is necessary to head off borrowing-spending excesses that can lead to a boom-bust trend. This means that, if present controls are not tight enough, there will be more and tighter ones.

Second is that—after going too far too fast in controlling a boom in 1953—the money managers will use the minimum of restraint felt necessary to keep the use of borrowed money from getting out of hand.

Officials deny that theirs is a "hard money" policy. Rather, they say, it is a "flexible money" policy, calling for cheap and easy credit when business is slack and tighter credit when business is booming. The easy-credit phase is designed to encourage people to borrow and spend. The tight-credit phase is intended to head off borrowing and spending excesses that lead to inflation.

Trick is to reverse the policy quickly enough when a business decline threatens, and to press the operation fast enough and hard enough—without going too far too fast. For Mr. Eisenhower's money managers, the need for quick, effective action is underlined by the knowledge that theirs is the entire responsibility for heading off busts and excessive booms. Indirect credit controls are about the only major device approved by the Administration in managing the economy.

The facts show that there have been enormous increases in debt this year, regardless of what the money policy has been.

(Continued on page 127)

For Shoppers who get Thirsty

Shoppers enjoy the special "lift" in a clean, cool drink of water. And for stores, there's a special Flash-O-Matic Water Cooler in Frigidaire's complete line.

Frigidaire Water Coolers Dayton 1, Ohio

Built and backed by General Motors

traveler's aid...

HANAN

New Italian influence, one-eyelet blucher moccasin of softly polished calf.

People "on-the-go" make sure their shoes are Hanan. For the fine supple leathers crafted into Hanan shoes make them superbly comfortable, and handsome Hanan styling makes you right at home—anywhere.

At finer stores everywhere.

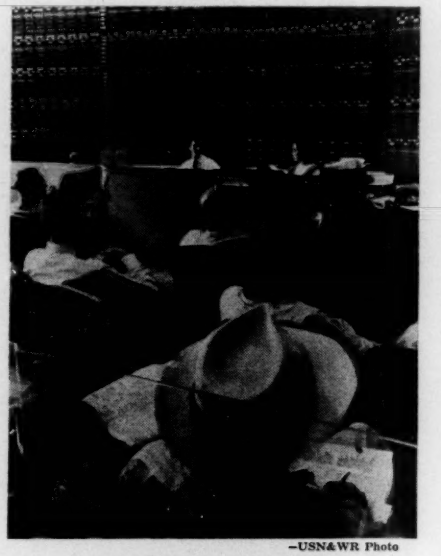
HANAN

HANAN & SON, INC., CHICAGO 22

. . . Installment debt exceeds 25 billions

Installment debt is a good example. To keep installment buying in hand, this Administration is relying almost entirely on its campaign to dry up credit at its source, at banks. The wartime authority to require people to make larger cash down payments and pay off their debts more quickly has been withdrawn by Congress. So money managers could not use that device even if they wanted to.

Latest official figures show how tight money is working. This summer, buyers of automobiles, furniture, other things have been taking on new installment debt at the spectacular rate of about 37.5 billion dollars a year. Until now, the record



—USN&WR Photo

A BROKER'S OFFICE
. . . margin trading has tapered off

for installment buying in a year has been 30.3 billion, the total in 1953.

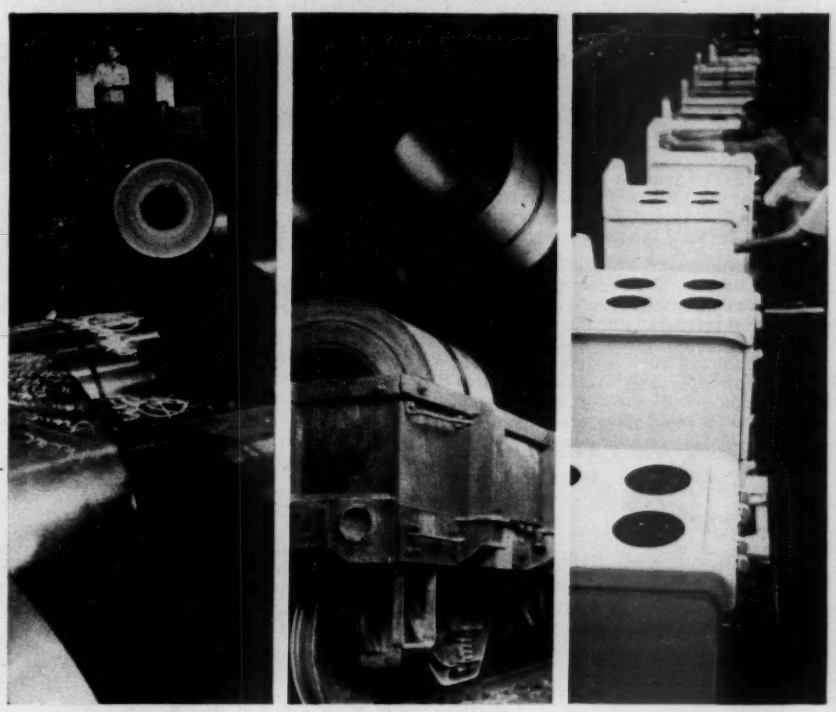
Already, the rush to buy on credit has boosted the total of outstanding installment debt to a record 25.5 billion dollars. People are in so deep that they are forced to use up 31.2 billion dollars of their annual income to meet installments.

Or take mortgage debt. In the first half of 1955, the debt that people owe on their homes jumped by 6.9 billion dollars. The rise in the latest three months reported was at an annual rate of 15.6 billion. Even in 1954, the biggest previous year, U. S. families added only 9.6 billion to their mortgage debts.

Government is trying to slow that rise. Yet about half of all the home financing is being underwritten by Gov-

(Continued on page 128)

Wabash/Road of the men who move steel



from mill **via Wabash** **to fabricator**

or, how to get your product to market on time

It's important to steelmakers that Wabash connects with 64 major railroads at 118 interchange points. Wabash serves the Heart of America . . . and serves it fast and thoroughly, permitting unusually flexible routing of steel shipments to, through and from the Midwest.

Add Wabash's reputation for "kid glove" handling of difficult assignments —and you have the basic reasons traffic men who move steel so often turn to Wabash.

Whatever kind of freight you move, you'll find Wabash equally able, equally equipped to serve you well. May we prove it with the facts? They're available from Wabash representatives in 45 cities.

SHIPPERS!

Look at the advantages of Wabash "HOT SHOT" Freight

1. "Bridges" the Heart of America, the only railroad member of both the Eastern and Western carrier groups.
2. Connections with 64 major railroads. Coordinated schedules at 118 interchange points.
3. All Diesel-powered trains.
4. Superior car service to shippers.
5. Fast "HOT SHOT" schedules to and through the major Gateway terminals or by-passing them altogether—as you wish.
6. Modern yards designed for faster assembly of trains and more orderly traffic flow.

Wabash
"HOT SHOT" FREIGHT

P. A. SPIEGELBERG,
Freight Traffic Mgr., St. Louis 1, Mo.

Safeway Stores, Incorporated

World's Second Largest Retail Food Concern

Half Year Business Briefs

Safeway's total net sales for the first 24 weeks of 1955 set an all time high.

At mid-year 2011 Safeway Stores were in operation in the United States and Canada. The average weekly per store sales for the 1,868 United States stores was $18,014. Canadian per store weekly average for their 143 stores was $18,534.

In the opinion of Management, Safeway's long range prospects are excellent. Sales and profits are expected to benefit materially from the Company's construction program, which calls for completion of two or three high volume, low operating cost retail stores per week.

FIGURES

Comparison of first 24 weeks of 1954-55

	June 18, 1955	*June 19, 1954*
Net sales	$887,210,738	$821,863,404
Net income (after all taxes)	5,553,500	6,615,971
Total net assets	168,017,753	165,847,270
Total current assets	287,650,991*	246,826,572
Total current liabilities	156,733,595*	132,778,901
Earnings per share on Common Stock—after deducting preferred dividends	$1.29	$1.76
Book value per share of Common Stock	$32.40	$31.73
Average number shares Common Stock outstanding	3,489,184	3,369,521
Number of stores in operation	2011	2016

**Ratio of current assets to current liabilities as of June 18, 1955 was 1.84 to 1.*

Safeway Stores, INCORPORATED
4th and Jackson Streets • Oakland, Calif.

Every time you brush your teeth refresh your eyes with a 2-drop bath of MURINE

Eyes tired? Two drops of Murine in each eye refresh them in seconds! Murine's seven tested ingredients make it gentle as a tear—use it *daily, regularly*, as often as your eyes feel tired. It makes your eyes feel good.

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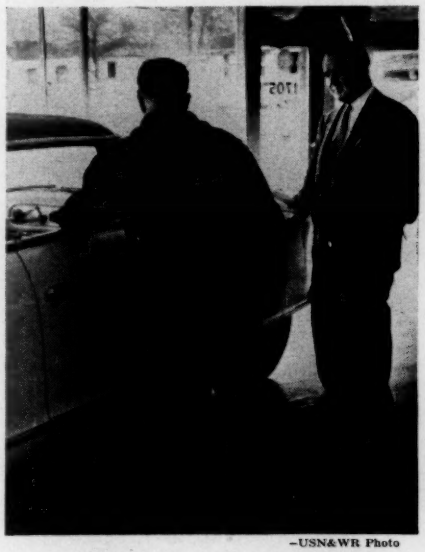
Credit restrictions take hold slowly . . .

ernment itself—through mortgages backed by the Federal Housing Administration and Veterans' Administration.

Now officials hope their more direct restrictions on these loans will begin to take hold. No-down-payment loans to veterans have been banned, and bigger down payments have been ordered on FHA loans. Less time is permitted in which to pay off these mortgages. While some homes still are being bought under the old easier rules, new loans and promises are subject to restrictions.

The trouble, officials realize, is that these devices work slowly. Tighter mortgage credit now and in months just ahead can force builders to scrap plans for big building projects next summer,



–USN&WR Photo

SALESMAN AND PROSPECT
. . . despite controls, more credit

at a time when—conceivably—a rise in home building might be desirable.

Business borrowing from banks seems even more immune from official action.

Normally, business loans by banks reporting weekly take a drop of half a billion dollars or more in the first half of a year. In the first half of 1955, they rose by about 1 billion dollars. Then, in July and August alone, they shot up by two thirds of a billion dollars. This is taken as a clear indication of inventory building that could lead to trouble.

Stock-market credit, meanwhile, has been effectively reduced by official action. In this case, Government resorted to direct controls—on purchases of shares with credit. The "down payment" required for purchases of $100 worth of stock

. . . Problem for money managers: how far to go

first was raised from $50 to $60, then to $70.

A survey by the New York Stock Exchange shows how much margin trading there has been. On two survey days in June, nearly a third of all stock purchases on the Exchange were on credit—though three out of four margin traders told the Exchange they were buying for investment, not quick speculation.

More recently, margin trading has tapered off under the tighter rules. The rise in stock-market credit in July was far smaller than in earlier months.

Credit or no credit, however, the big bull market has continued to set new record highs.

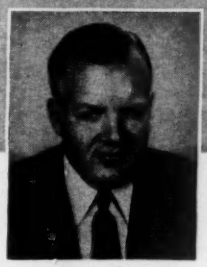
The question now facing the money managers is how much further they dare go. With one sour experience in mind, and an election year in view, the Administration is acutely aware of the need for prudence. Also, the Treasury itself is shortly to become a borrower again and is not anxious to pay extremely high interest rates unless high-cost borrowing for everybody is clearly necessary.

What all this adds up to is the prospect that money managers will keep up the pressure on credit, perhaps add a little to that pressure. Yet most members of the financial community are betting that Government will not go very much further very fast. Some believe the effects of tighter credit will show up as 1955 wears on. If the boom levels out, as many expect, official agencies will reverse the policy and ease credit.

› Stock options. The Treasury is taking to the Supreme Court its argument that, for tax purposes, stock options granted to an employe to give a "proprietary" interest in the business give rise to income just as surely as stock options granted as outright compensation. Recent court rulings have made a distinction between options given as compensation and those given solely to provide the executive with an interest in the firm. Corporations granting options always do so partly to give the employe some ownership in the firm, in the Treasury's opinion. How, says the Treasury, can Government tax gains from options at all under this ruling?

› Cold cash. There have been some changes in people's use of currency in the last year. Amount in circulation per person, reports Treasury, is down about a dollar, to $182.73. People are using more coins and more small-denomination bills, but less of most big-denomination bills. As an exception, more $10,000 bills are in circulation now.

Rockwell Report



by W. F. ROCKWELL, JR.
President
Rockwell Manufacturing Company

JUST HOW MUCH DOES A NEW PLANT, or the growth of an existing one, do for its community? Recently, during the opening of one of our new plants, some significant information was presented. It came out of a study made by the Economic Research Department of the U. S. Chamber of Commerce.

Here, according to the study, is what happens to a community when 100 new factory jobs are made available: 296 more people make the community their home . . . 112 more households are established . . . 51 more children go to school . . . 4 more retail establishments are opened . . . 107 more passenger cars are registered . . . and jobs are created for 74 workers, in addition to the 100 new factory jobs.

This is what the 100 new factory jobs mean in terms of dollars: $590,000 more in personal income per year; $270,000 more in bank deposits; and $360,000 more in retail sales per year.

Naturally these figures cannot be applied arbitrarily to all communities, but they do serve to dramatize an extremely important and too little publicized fact: A new or expanding plant has a tremendously invigorating effect on the community in which it operates.

Many towns, counties, and states realize this and do everything in their power to provide conditions attractive to industry. But a great many do not, primarily because a certain brand of politician feels that "socking" business and industry with a disproportionate share of the tax burden is the surest way to get votes.

It would seem that local Chambers of Commerce and other organizations of leading citizens could do themselves and all the people a real service by urging measures to attract new industry, and by dramatizing for the voters what it actually means in jobs, dollars, and better living for everyone.

* * *

A Rockwell-Nordstrom valve is part of an ingenious new tool invented by two west coast men to aid water departments in testing light wall steel pipe and copper tubing for leakage. Previously, in testing a section of pipe for leakage, it was necessary to weld caps on both ends before introducing air or water pressure. With the new testing tool, a Rockwell-Nordstrom valve provides the necessary tight shut-off, eliminating the welding process.

* * *

It is the practice of our department heads to serve actively in the trade and professional associations of which they are members. For example, our Director of Purchasing, in addition to performing official duties in both the national and local associations of Purchasing Agents, has filled requests to speak before 22 other Purchasing Agents Associations ranging from New York to Los Angeles and as far south as Dallas. As a result, more than 900 copies of the Rockwell Purchasing Manual have been distributed to persons interested in preparing a similar manual for their companies.

The interchange of knowledge and viewpoints resulting from this kind of organizational activity by our people is as valuable to us as it is to the organizations they serve.

* * *

Interesting uses of Rockwell products: While our Delta Power Tools are designed primarily for working wood and metal, American ingenuity frequently finds profitable uses for them not suggested in our catalogs. Both of these come from California: Asparagus growers use our 14″ band saws to cut asparagus stocks to proper length for packing. And a canner uses a Delta 17″ drill press—with a special attachment—for the speedy "precision" peeling of watermelon. He cans the meat and pickles the rind.

One of a series of informal reports on the operations and growth of the
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for its customers, suppliers, stockholders, and other friends

"Yipes, did he hit the ceiling!"

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Business Around the World

BONN • LONDON • GENEVA • PARIS • BUENOS AIRES

›› British-German competition is growing fast, getting sharp.

Now confident German officials challenge strength of the British pound in Europe, hint that West German mark is ready to take over currency leadership.

Back of this German confidence.....The pound has been under pressure, keeping British officials on defensive, delaying the day when it can be made freely convertible. The mark, on the other hand, is steady, obviously strong.

German industrial output, up a dazzling 16 per cent last year, is pushing still higher. German steel may top British steel in production this year.

German exports are giving Britain's a hard time. German cars are overtaking British autos in U.S. German locomotives are underbidding British offers in the Far East. German sales are cutting into Britain's in Latin America, Middle East.

The German giant, 1955 model, is the No. 1 economic power in West Europe. It has the industry, the trade, the money. West Germany is no longer a ward.

This is the big new fact of life the British now have to adjust to.

›› Inside Britain, problem is to keep a booming domestic demand from cutting too deep into export supplies. It's much more of a problem than in the past.

For example: To pay for a ton of beef, imported from overseas, Britain now has to export eight electric stoves. In 1938, four stoves paid for the beef. To buy a ton of lead, it takes the export of 10 vacuum cleaners, as against four in 1938. To pay for a ton of copper, the export of five radio sets used to be enough. Nowadays it costs Britain 23 radio sets or their equivalent.

In the face of this difficult situation.....

British consumers, with more money than ever to spend, are tending to buy Britain out of the export market. British labor, at the same time, by pressing for still higher wages, threatens to price Britain out of the market.

Inflation remains a top worry in London. Mild controls, beginning to show some results, probably aren't enough. Stronger controls are to be expected.

›› It's easily a record year for the tourist trade in Europe.

Spending by U.S. tourists will approximate 750 million dollars, or about one-fourth of all dollars earned by Europe's exports to U.S. and Canada.

Americans going to Europe this year will probably number more than 750,000, or about 1 out of every 215 people in the U.S. That's a record, too.

Tourist totals are up throughout Western Europe, but most tourist dollars are being spent in Britain and France. Switzerland, Italy are next in line. West Germany, Spain, Greece show healthy gains. Paris, though, reports 9 per cent fewer Americans than last summer. High prices are blamed.

Britain is expecting more than a million tourists to visit its shores

(over)

before the year is over, with at least one of every five tourists an American.

Italy, tourist mecca, looks for a record 10 million tourists in 1955.

>> An economic revolution helps to account for this tourist boom.

U.S. tourists are not the explanation. Americans comprise only 10 per cent of Europe's tourists. Europeans, themselves, account for most of the business.

What's happening is that working people in Europe now have money to spend. European labor, more than ever before, has vacations with pay. This never used to be the rule. But it is now, and helps explain the boom in tourism.

>> The old stereotype of the rich American tourist in Europe is out of date.

A new kind of tourist is roaming over the Continent and Britain.

Europe's new tourists are working people out for a modest fling. They shun expensive hotels. Many sleep in their small cars, or even in tents. Those without cars travel by motor scooter--or by bus, a new phenomenon in Europe.

They don't spend much per tourist, but they add up to big business, and they are forcing Europe to take a new look at its strained tourist facilities.

>> In Geneva, economists of the United Nations warn that Europe's industrial boom is tapering off. Only exceptions are West Germany, Austria, Britain. In these countries production continues to expand as in '54, if not faster.

But output has stopped gaining in France, Italy, Sweden, Norway.

Output is declining, compared with 1954, in Denmark.

This, at least, is the conclusion the U.N. economists come up with after their analysis of production statistics for this year and last.

Significance, if the U.N. experts are right, is that inflation may be more of a threat than many in Europe had thought. The French, for example, take it for granted that production is still rising, keeping ahead of demand. But, if output has stopped rising, France faces inflation and doesn't know it.

>> In Buenos Aires, to show how politics gets in the way of economics.....

A big need in Argentina is fuel. Oil imports now cost 200 million dollars a year, dollars Argentina can't afford. Yet the country probably has enough oil of its own. It just needs to be located and pumped out of the ground.

U.S. oil firms are willing to do the job, risking millions of dollars of their own money, if Argentina will approve a contract already negotiated.

President Perón is all for the idea, pushing for it behind the scenes.

Catch is that some of Perón's followers are in opposition. They oppose the contract as dangerous to Argentine independence, putting the country in hock to U.S. corporations. That's the way Perón himself used to talk. He doesn't now, but his followers haven't caught up with him, can't seem to unlearn the old line.

>> A question of Government-in-industry is involved, too.

Under Government operation, it has taken Argentina 40 years to bring 2,500 wells into production. But the need, if Argentina is to become self-sufficient in oil in the next 10 years, is to bring in 16,000 additional producing wells, at a cost of around a billion dollars. Buenos Aires businessmen want U.S. firms to take on the job. They're convinced Perón's Government can't do it.

First, it's up to Perón, in addition to putting down revolts, to wean his followers away from some of the ideas he taught them a few years ago.

"Railroad Builders..." on the WESTERN MARYLAND

"Railroad builders!" you say . . .

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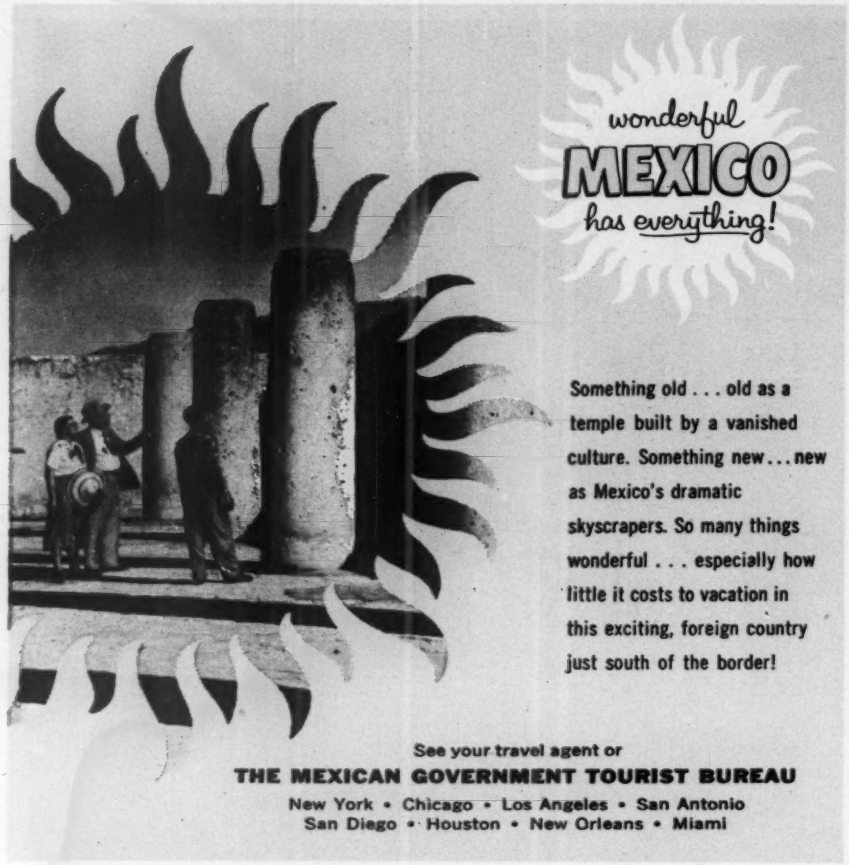
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NEWS-LINES

WHAT YOU AS A BUSINESSMAN ☑ CAN and ☒ CANNOT DO

as a result of recent court and administrative decisions

☑ **YOU CAN,** as a defense contractor or subcontractor whose fiscal year ended in 1954, wait till September 30 to file the commercial-service report required by the ***Renegotiation Act.*** This deadline is announced by the Renegotiation Board. Financial statements must accompany the reports, unless sent in previously.

* * *

☑ **YOU CAN** apply to the Bureau of Foreign Commerce for a license to export certain instruments and equipment used in ***atomic-energy*** research and production. BFC takes over this export-licensing job from the Atomic Energy Commission.

* * *

☑ **YOU CAN,** as operator of a freight-shipping service, avoid paying a ***transportation tax*** on the amount that you pay a railroad or truck line to haul back goods from a point to which they were sent by mistake. The Internal Revenue Service rules that this is merely a settlement between shipping agencies and is not subject to the transportation tax.

* * *

☑ **YOU CAN** count on an end to this country's import quotas for ***oats and barley*** on September 30. The President reports that he is not asking the Tariff Commission to investigate whether there is any need for extending these quotas beyond that expiration date. Imports of the two grains have been running below established quotas.

* * *

☑ **YOU CAN** look for the Government to continue the present incentive prices for ***wool and mohair*** in the 1956 marketing year. The Department of Agriculture announces that the incentive prices will remain at 62 cents a pound for shorn wool and 70 cents a pound for mohair for the marketing year starting next April 1.

* * *

☒ **YOU CANNOT** expect the National Labor Relations Board to hold a ***decertification election*** in your plant if your State labor board or some other "responsible" State agency has conducted

a representation election within the last year. NLRB decides that the ***Taft-Hartley ban*** on more than one election in a bargaining unit in one year takes into account elections held by State agencies.

* * *

☒ **YOU CANNOT** legally call your employes to your office, individually or in small groups, and urge them to vote against a union in a ***collective-bargaining election.*** The Labor Board finds that such an action interfered with an election, in violation of the Taft-Hartley law, even if the employer's remarks were not coercive or threatening.

* * *

☒ **YOU CANNOT** expect a ***farmers' marketing co-operative*** to keep its tax-exempt standing if it purchases insurance policies on its members' lives. The Internal Revenue Service rules that such use of its funds deprives the co-op of its tax-free status.

* * *

☒ **YOU CANNOT,** on behalf of a corporation, take an ***income tax deduction*** for the cost of obtaining release of an option on property to which the company needed clear title in order to complete a reorganization. The Internal Revenue Service says that this payment is an additional cost of the property rather than a deductible expense.

* * *

☒ **YOU CANNOT** send certain technical data to Communist-controlled countries without getting an ***export license*** from the Commerce Department. In easing restrictions on sending such information to "friendly" nations, the Bureau of Foreign Commerce explains that licenses still are required for some destinations.

* * *

☒ **YOU CANNOT** disregard the ***Wage-Hour law*** for your employes operating a mess hall and bunkhouse for workers in a mine at an isolated location. These employes are covered by the law, according to a court of appeals.

* * *

☒ **YOU CANNOT** safely tell your employes that they will "be sorry" that they signed union cards and that you are going to get rid of ringleaders of the union. NLRB finds this violates the Taft-Hartley Act.

Conclusions expressed in these paragraphs are based upon decisions and rulings of courts and Government bureaus. In making their decisions, courts and bureaus consider many facts which, for reasons of space, cannot be set forth in detail. U. S. NEWS & WORLD REPORT, *on written request, will refer interested readers to sources of this basic material.*

"DR. LIVINGSTONE I PRESUME?"

1871 . . . . . *that was the year* when the world was thrilled by the news that Stanley's African expedition had found Dr. Livingstone. And that was the year, now 84 years ago, that young Gilbert Harrington formed an American arms manufacturing firm.

Just as the Stanley-Livingstone event is part of world history, the H & R plant has played a very distinct role in America's past . . . and becomes increasingly important to its future. The only arms manufacturer to receive the Army-Navy "E" five times in World War II, and which has been entrusted with the vital assignments of:

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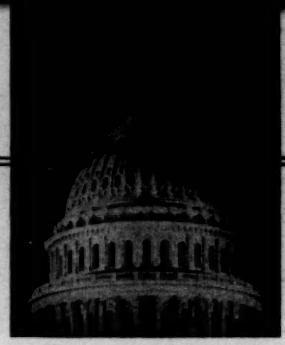

BOOM OR STABILITY?

BY DAVID LAWRENCE

WHENEVER THERE IS a period of stability, a tendency arises to ask apprehensively how long the "boom" will last—as if normal conditions, when achieved, are really too good to be true.

Today the business of the nation is "booming." Many factors have contributed to it—not the least of which is a genuine confidence that the forces of confiscation, the forces of over-regulation and the forces of government ownership have been held in check.

Confidence is essential to business planning. It can be frustrated by threats of interference with the natural progress of the economy.

Regulation is necessary, of course, when excesses occur. The Government, irrespective of party, has found that public opinion demands correction whenever economic power is abused by collective groups of individuals or corporations.

While political intervention in the economic life of the country to correct misuse of power is accepted generally as in the public interest, political interference with economic laws can be disastrous, especially when it is generated by pressure groups for selfish purposes.

Today interference with business expansion is at a minimum. While the Government rightly enforces anti-trust laws and applies its police power to unfair trade practices, there is a climate of reassurance because the Eisenhower Administration has repeatedly acted in ways that beget confidence. Prominent in this is the prudent management of fiscal affairs.

What America is experiencing today is an Eisenhower "boom." It demonstrates that America need not be engaged in a war to maintain prosperity.

But the stakes in a continuance of prosperity are higher than they have ever been.

A labor-union monopoly, for instance, can force the cost of production above the point where the consumers will buy.

A business monopoly can raise the price level to a prohibitive point and risk a curtailment of demand.

A government monopoly on credit can tighten the borrowing mechanism and, by unwise policies, throw the whole economic system out of gear.

It often is asserted that we have or should have a "managed economy." While some segments are regulated, the biggest single factor in business expansion—the growth of population—happily is unregulated.

As population in America increases, with a demand for more of everything, so does it increase everywhere else in the world, too. The demand for American products continues to grow. Yet the high cost of transportation and the chaotic condition of currency exchange makes it impossible to move our agricultural surpluses, for example, into areas where they can be absorbed. Hence, our own farm income is declining.

With all the lofty talk about international cooperation to utilize atomic energy, it is a sad commentary on our present situation that governments around the globe seem to lack the ingenuity to invent methods and systems to promote bilateral or triangular or even quadrangular trade in surpluses. Today the protective principle is as strongly entrenched in Europe as it is in America—each economy feels that it must protect its own minorities. Granted that this is essential, it remains possible nevertheless for an enlarged trade to be channeled into areas where it is needed. International trade deals on a worldwide scale have never been attempted except in wartime.

Our "boom" today is related primarily to international factors, particularly armament expenditures. These constitute an underpinning everywhere, but they must inevitably be supplanted in large part some day by more productive enterprises.

While this is logical, however, it must not be done suddenly or sharply. The dangers of deflation are as prevalent at present as the dangers of inflation.

The current "boom" has a sound basis. It could conceivably last over a period of many years. But the biggest single factor that can upset it is unwise action by Congress and the Executive in national and international policies. That's why the 1956 election will be the most important since 1920, when we first moved into an enlarged economy in peacetime.

It will be an election important to the maintenance of economic stability.

How encouraging, therefore, it would be if both political parties were to pledge themselves to adhere firmly to the principle which Jefferson proclaimed—that the best government is the government that governs the least. This means an opportunity for maximum reward for the individual, the entrepreneur, the investor and he who labors in farm or factory.

The American economic system is functioning very effectively today because it enjoys freedom from governmental harassment, freedom from government competition and freedom from governmental policies that the State Socialists—the twin brothers of the Communists—would foist on free America if they could get control once more of the governing power in America.

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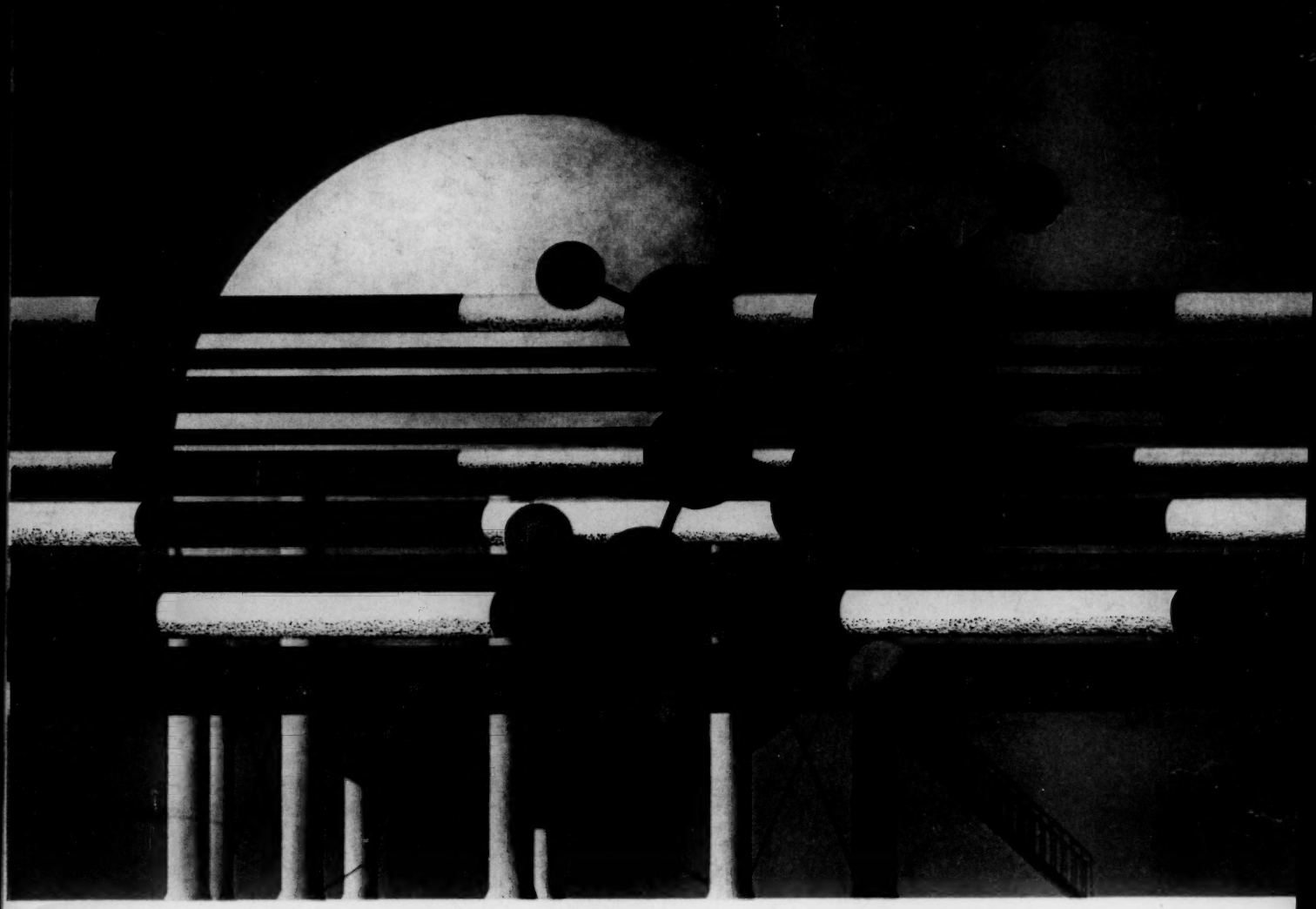

New magic ingredients come from oil and gas

Giant young petrochemical industry feeds on borrowed dollars

With petrochemicals, derived from crude oil and natural gas, scientists can now make practically anything man needs . . . from baby clothes to evening gowns, vitamins to antifreeze, toys to tooth fillings, paints to food flavorings, and anesthetics to insecticides.

It took money and credit in large amounts, coupled with scientific know-how, for the petrochemical industry to reach its present stature. With this financing went expert counsel on money management and fiscal programing, so necessary when building a young, pioneering industry.

A good deal of this money and guidance came from The First National City Bank of New York. With resources of about $7 billion and capital funds in excess of $550,000,000, the Bank has been able to supply the substantial credit needed for petrochemical development. Today the Bank finances new plant construction and expansion through term loans . . . and extends short-term credit to supplement working capital.

Having played a big role in the development of the parent industries —oil, natural gas, and chemicals— First National City *bankers* are in an especially good position to assist "petrochem" men in planning sound capital programs. And through our world-wide network of 59 Overseas Branches, 73 Domestic Branches, and 3,500 correspondents in this country and abroad, the Bank helps petrochemical manufacturers develop trade outlets . . . finance movement of goods . . . and obtain up-to-date information on foreign exchange, import and export controls and marketing procedures.

Whatever your business, when you need the services of a commercial bank, you will find our 143 years of experience, our resourceful, imaginative staff, and our fast, efficient service important reasons for making us your *banker*.

For all the advantages of having a *banker* instead of just a bank account, consult:

The **FIRST**
NATIONAL CITY BANK
of New York
First in World Wide Banking
Member Federal Deposit Insurance Corporation